

***King Slide***<sup>®</sup>

**King Slide Works Co., Ltd.**

2019 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>

Printed on May 06, 2020

---

This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.

**I. Spokesperson and deputy spokesperson**

Spokesperson: Wang Chun Chiang (Executive Vice President)

Deputy spokesperson: Cai Qiu-Zhen (Audit Manager)

Telephone: (07) 959-9688

e-mail: [ir@kingslide.com](mailto:ir@kingslide.com)

**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**

Name: China Trust Agency Department

Address: 5 F, No. 83, Section 1, Chongqing South Road, Zhongzheng District, Taipei City

Website: [ecorp.ctbcbank.com/cts/index.jsp](http://ecorp.ctbcbank.com/cts/index.jsp)

Telephone: (02) 6636-5566

**IV. Independent auditors of the most recent fiscal year**

CPA: Chen Jhen-Li and Kuo Lee-Yuan

Firm: Deloitte & Touche

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

Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)

Telephone: (07) 530-1888

**V. Overseas listings and the listing information: none****VI. Company website: [www.kingslide.com](http://www.kingslide.com)**

## Table of Contents

	<u>Pages</u>
<b>One. Letter to Shareholders.....</b>	<b>1</b>
 <b>Two. Company Profile</b>	
I. Date of incorporation .....	6
II. Company history.....	6
 <b>Three. Corporate Governance Report</b>	
I. Organization .....	10
II. Directors, supervisors, president, vice president, assistant vice president, and management team .....	16
(I) Board of directors and supervisors.....	16
(II) President, vice President, assistant vice president, and management team.....	21
III. Remuneration of directors, supervisors, president, and vice president in the most recent fiscal year .....	23
(I) Remuneration of directors, supervisors, president, and vice president in the most recent fiscal year.....	23
(II) Separately compare and describe total remuneration, as a percentage of net profit stated in the financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure. ....	28
IV. Implementation of corporate governance.....	30
(I) Board of Directors .....	30
(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors .....	33
(III) Corporate governance implementation status and deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” .....	34
(IV) If the company has a compensation committee in place, the composition, responsibilities, and operation of the compensation committee shall be disclosed ...	43

	<u>Pages</u>
(V) Implementation of Corporate Social Responsibility .....	45
(VI) Ethical corporate management and approach adopted .....	53
(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched .....	58
(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance .....	58
(IX) Implementation of the Company's internal control system.....	58
(X) Sanctions imposed in accordance with the law upon the Company or its internal personnel, sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, major deficiencies, and the associated remedial actions during the most recent fiscal year and up to the publication date of the annual report.....	58
(XI) Major resolutions of Shareholders' Meeting and Board Meetings during the most recent fiscal year and up to the publication date of the annual report.....	58
(XII) Any recorded or written dissenting opinions of directors or supervisor related to important resolutions passed by the board of directors during the most recent fiscal year and up to the publication date of the annual report .....	60
(XIII) Any resignations or dismissals of the Company's chairman, president, accounting manager, financial manager, internal audit manager, and research and development manager during the most recent fiscal year and up to the publication date of the annual report .....	60
V. Information on CPA professional fee .....	61
VI. Replacement of CPA.....	62
VII. The Company's chairman, president, or any manager in charge of financial or accounting matters has held a position at the accounting firm of its CPA or at any affiliated enterprises of such accounting firm in the most recent fiscal year .....	63
VIII. Any transfer of shares or change of pledged shares of the directors, supervisors, managers, or any shareholder with a shareholding more than 10% during the most recent fiscal year and up to the publication date of the annual report.....	63
IX. Top-10 shareholders who are a related party, spouse, or relative within the second degree of kinship of another .....	65
X. The total number of shares and total equity stake of any re-invested enterprises held by the Company, its directors, supervisors, managers, and any entities controlled either	

directly or indirectly by the Company .....	67
---	----

#### **Four. Capital**

I. Capital and shares	
(I) Sources of capital .....	68
(II) Shareholder structure .....	70
(III) Distribution of share ownership .....	70
(IV) List of major shareholders .....	71
(V) Per share information in the past two years .....	72
(VI) Dividend policy and implementation .....	73
(VII) Effect of any stock dividend distribution proposed or adopted upon business performance and EPS at the most recent shareholders' meeting .....	74
(VIII) Compensation of employees, directors, and supervisors .....	74
(IX) Share repurchases .....	75
II. Corporate bonds issuance .....	75
III. Preferred shares issuance .....	75
IV. Global depository receipts .....	75
V. Employee stock options .....	75
VI. Issuance of new shares in connection with mergers or acquisitions .....	75
VII. Implementation of capital allocation plans .....	75

#### **Five. Business Overview**

I. Business scope .....	76
II. Market analysis and production & marketing .....	84
III. Human resource .....	96
IV. Disbursements for environmental protection .....	96
V. Labor relations .....	98
VI. Important contracts .....	100

**Six. Financial overview**

I. Five-year financial summary .....	101
II. Five-year financial analysis .....	106
III. Supervisors' or audit committee's report for the most recent year's financial statement ...	110
IV. Financial statement for the most recent fiscal year .....	110
V. Certified financial statement for the most recent fiscal year .....	110
VI. Financial difficulties experienced by the Company and its subsidiaries during the most recent fiscal year and the current fiscal year up to the publication date of the annual report and impacts to the financials .....	110

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

I. Analysis of financial status .....	111
II. Analysis of financial performance .....	113
III. Analysis of cash flow .....	113
IV. Impacts from major capital expenditures in 2018 .....	114
V. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year .....	115
VI. Risk analysis .....	116
VII. Other important matters .....	118

**Eight: Other Special Notes**

I. Subsidiary companies .....	119
II. Private placement of securities during the most recent fiscal year and the current fiscal year up to the publication date of the annual report .....	122
III. Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year and the current fiscal year up to the publication date of the annual report .....	123
IV. Other important supplementary information .....	123
V. Events occurred during the most recent fiscal year and the current fiscal 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	123

## One. Letter to Shareholders

**Dear shareholders,**

The Company generated 9.77% higher consolidated revenues and 15.93% higher net operating profits in 2019 than 2018. However, due to the appreciation of the exchange rate, the Company incurred a loss of NT\$198,978,000 in the current year compared to the gain of NT\$235,089,000 in 2018. The difference of NT\$434,067,000 caused by adverse exchange rate appreciation, expiry of the 5-year tax-exemption period, and increase of the income tax rate from 18.23% to 23.04% account for the 12.26% fall of net income, with the after-tax EPS NT\$16.35. Overall, performance in 2019 was generally reflective of our prolonged efforts in terms of product diversification, innovation, R&D, adoption of intelligent production technology, and global market expansion, and all of which provide us with the foundation to grow. We pride ourselves on enhancing our competitiveness as well as designing and developing more flexible production bases to respond to the world's rising protectionism and uncertainties, and will continue to satisfy needs of customers from different markets throughout the world. In the meantime, we will adhere to our existing strategies to introduce innovative products, adopt intelligent production technologies, diversify the risks of markets and customers, and construct flexible production facilities around the world. In 2019, we have begun to ship a new series of European style premium kitchen slides that we had committed an extensive amount of time for developing. In order to reduce the production cost of the new series, a new plant featuring intelligent production lines has been scheduled to commence construction in 2020, expected to be completed by the end of 2021, and will be put into operation in 2022, and we believe that will help us to improve business performance further for the benefit of our shareholders in the near future. We are hereby reporting 2019 business result and 2020 outlook.

### **I. 2019 business result:**

#### **1. Business plan implementation results:**

Unit: NT\$ Thousand

Item	2019	2018	Increase or decrease in amount	Change in ratio (%)
Operating revenue	4,868,807	4,435,607	433,200	9.77%
Profit from operations	2,015,151	1,738,196	276,955	15.93%
Net profit	1,558,250	1,775,964	( 217,714)	( 12.26%)

2. Implementation of budget: The 2019 financial forecast was not disclosed, so there is no budget achievement.

### 3. Financial revenue and expense and profitability analysis

Item		2019	2018
Financial structure (%)	Ratio of liabilities to assets	15.67	10.10
	Ratio of long term funding to property, plants, and equipment	836.82	751.36
Solvency (%)	Current ratio	829.18	926.31
	Quick ratio	790.27	878.67
	Times interest earned ratio	179.17	N/A
Profitability (%)	Ratio of return on total assets	13.10	16.84
	Ratio of return on shareholders' equity	14.98	18.83
	Ratio of profit before income tax to paid-in capital	212.45	227.90
	Profit ratio	32.00	40.03
	Earnings per share (NT\$)	16.35	18.64

### 4. Research development status:

The Company's 2019 annual research and development expenses were NT\$231,418 thousand, and the status and prospects are presented as follows:

- (1) The new cabinets and chassis are being designed to incorporate more mechanical actions which in turn inspires diverse applications and designs of server Rail Kit, and the new design ideas are being created to accommodate the multiple industries' growing attentions toward user-friendliness and safety as well as the existing requirements of space, function, and safety concerns. Besides, the Company continues to invest in the development of new types of Rail Kit and cable organizers for different applications to respond to the various needs of different markets and industries.
- (2) For market channel, series of high-end Rail Kit, and hinges, the assortments of product series are currently in development. In the meantime, the relevant specifications of all kinds of application in the current market have been considered and integrated into product development to make the product series more complete, comprehensive, and capable to catch up with the demand change of modernization. Besides, there will be more types of product models developed in response to the different application needs of the fields of practice to help the Company establish a more stable market position in the fields of high-end kitchen utensils and related cabinets, tool cabinets, etc.. Meanwhile, to enhance competitiveness of the Company, the production efficiency is managed to be upgraded, and the developments in intelligent production control, process technology, and automation of the existing production lines are under construction and will be introduced by the more comprehensive and intelligent



production modes to improve the production conditions with low-cost and high-efficiency.

- (3) In terms of consumer electronics, the Company has engaged in the products and relevant techniques innovation and the development and introduction of relevant equipments of test and process technology.

## II. 2019 business plan

### (I) Business policy

In line with the continuous recruitment and training of management, marketing, and R&D talents as the long-term business policy, the Company is committed to strengthening the management team and talents to become 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 computing 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 consumer product line for personal consumption needs;
4. The introduction of intelligent production technology to improve business management performance;
5. The establishment of global flexible production bases 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 2020 is as follows:

Product	Unit	Shipment forecast
rail kits	thousand sets	15,421
Slides	thousand sets	1,104
Hinge	thousand units	3,662

### (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 cutting 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 develop the functional products that make life more convenient and are applied to a wide variety of industries to increase market share of and customer dependence on our brand.
- (III) We will set up global warehouses and sales bases gradually and establish global flexible production bases 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 m<sup>2</sup> 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 m<sup>2</sup> with building approval. Mass production of rail kits began.
- 1992 Factory floor area expanded to 23,094 m<sup>2</sup>. Completed building of the 2<sup>nd</sup> phase plant and factory.
- 1994 Factory floor area expanded to 25,165 m<sup>2</sup>  
Capital increased by cash of NT\$ 55 million. Total paid-in capital reached NT\$ 95 million.  
Acquired two premises of 360.41 m<sup>2</sup> in Taichung for setting the local office.
- 1995 Obtained ISO9001 certificate.  
Acquired premises of 388.69 m<sup>2</sup> in Taipei for setting the local office.
- 1996 Completed building of the 3<sup>rd</sup> 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 4<sup>th</sup> phase plant and factory and added automated 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 to new 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 5<sup>th</sup> 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 19<sup>th</sup> 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 21<sup>st</sup> 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 24<sup>st</sup> 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).

Obtained IECQ QC080000 certificate.

King Slide Technology (China) Co.,Ltd established a subsidiary, King Slide Technology (Shenzhen) Co., Ltd.

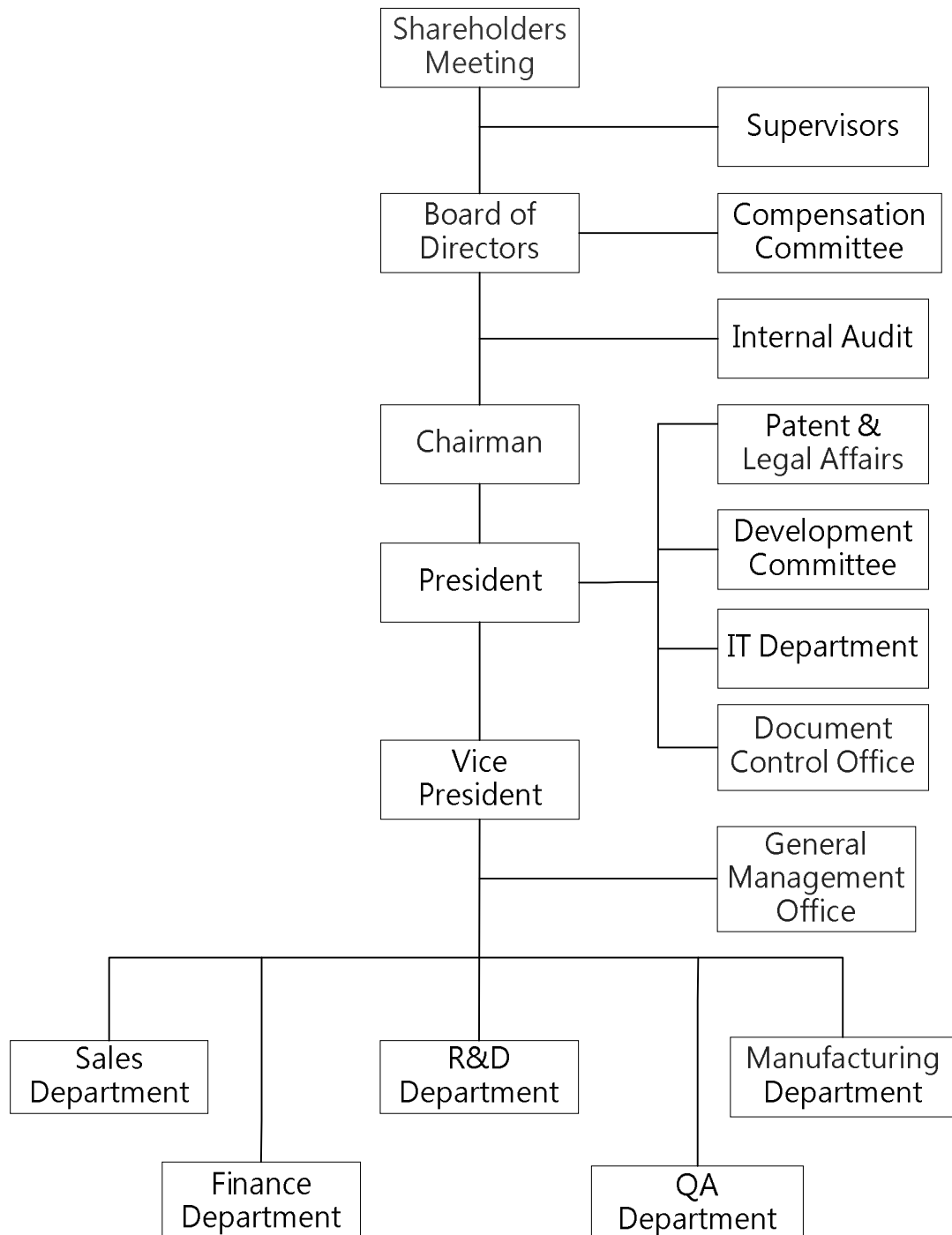
2020 Received 2020 Taiwan Excellence Award (ULead Silent Soft-closing Undermount Slides) 1J Series.

## Three. Corporate Governance Report

### I. Organization

#### (I) Organization

March 31 ,2020





(II) Divisional function

<b>(1) Compensation Committee</b>
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.
<b>(2) Internal Audit</b>
<ol style="list-style-type: none"><li>1. Implement internal audit work on the company and any of its subsidiaries.</li><li>2. Examine and evaluate the implementations of internal control in the parent and subsidiary companies.</li><li>3. Supervise and review the self-assessment procedures in the parent and subsidiary companies.</li></ol>
<b>(3) General Manager Office (Patent &amp; Legal Affairs, Development Committee, IT Department, and Document Control Office)</b>
<ol style="list-style-type: none"><li>1. Business planning and initiation, including existing operation, transformation plan and future operation strategies, and implementation supervision.</li><li>2. Goal setting, policy planning and implementation supervision.</li><li>3. Review the annual operation plan and budget preparation of each department and monitor the execution.</li><li>4. Review of the management systems, ISO system, and the Nine Cycle system, and implementation supervision.</li><li>5. Special project planning and execution.</li><li>6. Information management system and its annual plan setting, initiation and implementation.</li><li>7. Safety management system and its annual plan setting, initiation and implementation.</li><li>8. Global strategies integration</li><li>9. Business investment planning and execution.</li><li>10. Feasibility assessing and planning of diversifying operation</li><li>11. Business document application, review, filing, publication and management.</li><li>12. Promote related ISO system and obtain the related certificate as well as followed-up maintenance.</li><li>13. Lead and coordinate operations in individual department or among departments to achieve the Company goal.</li><li>14. Set, revise and implement the rules regarding the operation under the management information system environment.</li><li>15. Formulate, revise, train and execute ISO system and the president's office procedure book.</li><li>16. Human resource planning for the president's office and all other departments.</li><li>17. Performance evaluation for the president's office and all other departments.</li><li>18. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary.</li><li>19. Complete items resolved by the Board Meeting.</li><li>20. Special and investment projects evaluation and review.</li><li>21. Patent application.</li><li>22. Global staffing planning</li><li>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.</li></ol>
<b>(4) General Management Office</b>
<ol style="list-style-type: none"><li>1. Formulate, revise, train, and execute organization discipline, personnel system, work rules, and employment contract.</li><li>2. Perform administrative work, including employee recruiting, appraising, promoting,</li></ol>

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

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 by the 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**

<ol style="list-style-type: none"> <li>1. Incoming quality control, data recording and analyzing, and improvement assurance.</li> <li>2. Recording and analyzing defect rate and monitoring the improvement progress held by the Manufacturing Department.</li> <li>3. Defect product examination and correction.</li> <li>4. Cost of quality management, including cost analyzing, countermeasures formulating and precautions executing .</li> <li>5. Formulating, training, executing, reviewing, and following up of the quality controlling procedures and standards for the R&amp;D or client requirement.</li> <li>6. Formulating the production capacity analysis.</li> <li>7. Evaluating, assisting and managing the production capacity and quality of contractors.</li> <li>8. Promoting, training, reviewing and monitoring TQC and quality control circle.</li> <li>9. Quality abnormality handling and shipment quality assurance</li> <li>10. Customer complaint handling, cause analyzing, the prevention strategy setting, feedback to the Customer Service Division assuring and case filing tracking.</li> <li>11. Formulate and analyze the standards of the product and R&amp;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.</li> <li>12. Plan and formulate the prevention policies of the cost of quality.</li> <li>13. Set quality goal for the Company</li> <li>14. Formulate, train and monitor quality checking plans for all staff with audit result tracking.</li> <li>15. The comparison analysis of the function, life, and quality of the peer products with feedback to the R&amp;D and Sales department, and being responsible for test records filing.</li> <li>16. Incoming material inspection executing and the quality counseling for the subcontractors.</li> <li>17. Formulate, train, execute, and follow up the plan of enhancing product quality to decrease defect rate, customer returns and complaints, and inspection cost</li> </ol>
<ol style="list-style-type: none"> <li>18. Equipment and tools management and operation training with audit result tracking.</li> <li>19. Achieve business targets guided by the strategies and guidelines set by the Company.</li> <li>20. Internal departmental coordination, collaboration and communication.</li> <li>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.</li> <li>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.</li> <li>23. Human resource planning inside the department.</li> <li>24. Performance evaluation inside the department.</li> <li>25. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary</li> <li>26. Complete ad hoc projects from upper managers.</li> </ol>
<b>(9) Manufacturing Department</b>
<ol style="list-style-type: none"> <li>1. Formulate and execute production management system</li> <li>2. Formulate, execute and monitor the production schedules</li> <li>3. Analyze the load of internal Production capacity and make reasonable adjustment of outsourcing to balance the capacity.</li> <li>4. Material requirements analyzing</li> <li>5. Material and finished goods warehousing and shipping</li> <li>6. Formulate efficient production method to meet the demands of quality, cost, quantity, and shipping date.</li> <li>7. Voluntarily review deficiencies found during production, brainstorm corrective</li> </ol>

- 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 records and 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 of production 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 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 Production Department and hold related training programs to facilitate actual execution.
  22. Make suggestions on the related policies proposed by the members 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 05/02/2020; 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			Remark
							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	Note
Director	Republic of China	Long Shen Investment Inc. Representative: Lin Tsung-Lung	Male	06/26/2018	3 years	06/15/2000	6,232,767	6.54%	6,232,767	6.54%	—	—	—	—	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	None
Director	Republic of China	Wang Chun-Chiang	Male	06/26/2018	3 years	06/27/2012	982,000	1.03%	1,112,000	1.17%	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.	Executive Vice President of King Slide Works Co., Ltd. Vice President of King Slide Technology Co., Ltd. President of King Slide USA, Inc. Executive Director and Manager of King Slide Technology (Shenzhen) Co., Ltd.	Chairman Director President	Lin Tsung-Chi Lin Tsung-Lung Lin Shu-Chen	In-laws In-laws Spouse	None

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			Remark
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relationship	
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	—	—	—	None
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 Director of Tien Kuang Enterprise Co., Ltd.	—	—	—	None
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	Manager in Accounting Department of University The member of the Remuneration Committee, Independent Director, and the member of the Audit Committee of Sheng Yu Steel Co., Ltd.	—	—	—	None
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 Department of Adlink Technology Inc.	Quality Assurance Manager of DYNAHZ Technologies Corporation.	—	—	—	None
Supervisor	Republic of	Yin Li Investment	Female	06/26/2018	3	03/16/	1,024,684	1.08%	1,023,684	1.07%	—	—	—	—	Lin Yuan Senior High School	Chairman of Yin Li Investment Inc.	Chairman	Lin	In-laws	None

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			Remark
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relationship	
							19,944	0.02%	19,944	0.02%	—	—	—	—				Tsung-Chi		
	China	Inc. Representative: Lin, Jhang A-Jhu			years	2005									Officer in Manufacturing Department of King Slide Works Co., Ltd.					
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.	—	—	—	—	None

Note: Although the Chairman and President of the Company are first-degree relatives, the Chairman is the founder of the Company, while the President started working at the Company from entry-level employee. The President is familiar with the Company's rules and daily operations, and has always been strictly abiding by and followed relevant corporate governance regulations. In order to strengthen the independence of the Board, the Company also plans to increase the number of Independent Director seats to enhance the functions of the Board and strengthen the supervision function at the re-election in 2021 General Shareholders' Meeting. At present, the Company has the following specific measures:

- (1) The current three Independent Directors have expertise in the fields of finance, accounting and quality assurance, and can effectively perform their functions.
- (2) All Directors are arranged to participate in external training to improve the effectiveness of the Board's operations.
- (3) Independent Directors can fully discuss and make recommendations for the Board to implement corporate governance.
- (4) More than half of the Board members do not concurrently act as the employees or managers of the Company.

## 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

Name	Criteria	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	11	12	
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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
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 apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top ten in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (6) Not the same person of a director, supervisor, or employee of any other company controls the majority of the company's director seats or voting shares and those of any other company. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (7) Not the same person or spouses of a director (or governor), supervisor, or employee serves as the chairman, president, or employee holding an equivalent position of any other company or institution serves in any of those positions in the Company. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.);
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the total number of issued shares of a specified company or institution that has a financial or business relationship with the Company. (This does not apply to the specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the Company, or to the person who serves as an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.);
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or mergers and acquisition special committee, who exercises powers pursuant to the Securities and Exchange Act, Business Mergers and Acquisitions Act,

or related laws or regulations.

- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not violated any regulation in Article 30 of the Company Act;
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Management team

As of 05/02/2020; 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			Remark
					shares	%	shares	%	shares	%			Title	Name	Relationship	
President	Republic of China	Lin Shu-Chen	Female	06/16/2006	1,755,100	1.84%	1,112,000	1.17%	—	—	School of Accounting, KuoChi College of Business, Accounting Manager of King Slide Works Co., Ltd. Manager of General Management Office of 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	Note
Executive Vice President	Republic of China	Wang Chun Chiang	Male	01/21/2005	1,112,000	1.17%	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	Director of King Slide Works Co., Ltd. Vice President of King Slide Technology Co., Ltd. President of King Slide USA, Inc. Executive Director and Manager of King Slide Technology (Shenzhen) Co., Ltd.	President	Lin Shu-Chen	Spouse	None

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			Remark
					shares	%	shares	%	shares	%			Title	Name	Relationship	
											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	—	—	—	None
Financial Manager	Republic of China	Xue Ya-Ling	Female	01/21/2005	10,011	0.01%	—	—	—	—	Department of Accounting Information, Kun Shan University Accounting Manager of King Slide Works Co., Ltd.	None	—	—	—	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	—	—	—	None

Note: Although the Chairman and President of the Company are first-degree relatives, the Chairman is the founder of the Company, while the President started working at the Company from entry-level employee. The President is familiar with the Company's rules and daily operations, and has always been strictly abiding by and followed relevant corporate governance regulations. In order to strengthen the independence of the Board, the Company also plans to increase the number of Independent Director seats to enhance the functions of the Board and strengthen the supervision function at the re-election in 2021 General Shareholders' Meeting. At present, the Company has the following specific measures:

- (1) The current three Independent Directors have expertise in the fields of finance, accounting and quality assurance, and can effectively perform their functions.
- (2) All Directors are arranged to participate in external training to improve the effectiveness of the Board's operations.
- (3) Independent Directors can fully discuss and make recommendations for the Board to implement corporate governance.
- (4) More than half of the Board members do not concurrently act as the employees or managers of the Company.

### 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)

2019, Unit: NT\$ thousands

Title	Name	Director's remuneration								Total Remuneration (a+b+c+d) as a % of net profit		Compensation earned as an employee of the Company										Total compensation (a+b+c+d+e+f+g) as a % of net profit		Compensation Paid from Non-consolidated Subsidiaries or the parent company			
		Base Compensation (a)		Severance Pay and Pensions (b) (Note 1)		Compensation to Directors (c) (Note 2)		Allowances (d)				Base compensation, bonuses, and allowances (e)		Severance pay and pensions (f) (Note1)		Employees' profit sharing bonus (g) (Note 2)				Number of shares vested via employee stock warrant					Number of shares granted via Restricted Stock Awards		
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	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	Stock	Cash	Stock								
Chairman	Lin Tsung-Chi	1,311	1,311	30	30	5,773	5,773	—	—	0.46%	0.46%	3,184	3,184	29	29	2,638	—	2,638	—	—	—	—	—	—	0.83%	0.83%	None
Director	Long Shen Investment Inc. Representative: Lin Tsung-Lung																										
Director	Wang Chun-Chiang																										
Director	Chiu Yen-Chih																										
Independent Director	Lee Wen-Chang	—	—	—	—	—	—	780	780	0.05%	0.05%	—	—	—	—	—	—	—	—	—	—	—	—	0.05%	0.05%	None	
Independent Director	Hsu Fang-Yih																										
Independent Director	Cai Wen-Zhi On board on 06/26/2018																										
1. Please state the policy, system, standards and structure of remuneration to Independent Directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: Pursuant to the Article of Incorporation, the Board is authorized to determine on the remuneration to Directors of the Company based on the standards of the peers in the same industry. At present, a fixed transportation fee to Independent Directors is distributed based on the attendance at the Board Meetings and the Remuneration Committee Meetings. The Independent Directors do not receive remuneration to Directors or Supervisors. The Independent Directors of the Company are required to participate in continuing trainings, review the audit report of the Company on a monthly basis and carry out supervision obligations in accordance with the stipulated matters.																											
2. Other than those disclosed above, compensation paid for professional services provided by directors (such as non-employee consultation service): None .																											

Note 1: all recognized and appropriated figures

Note 2: Estimated figures based on the disbursement in 2018

Remuneration Range

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 \$1,000,000	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang Chun-Chiang, Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang Chun-Chiang, Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi
\$1,000,000 (included) ~ \$2,000,000(excluded)	—	—	—	—
\$2,000,000 (included) ~ \$3,500,000 (excluded)	—	—	—	—
\$3,500,000 (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	7	7	7	7

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

2019, Unit: NT\$ thousands

Title	Name	Supervisor's remuneration						Total Remuneration (a+b+c) as % of net profit		Compensation Paid from Non- consolidated Subsidiaries or the Parent Company
		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	—	—	0.05%	0.05%	None
Supervisor	Wu Min-Zhen									

Note: Estimated figures based on the disbursement in 2018

### Remuneration Range

Remuneration Range of Supervisors	Name	
	Total of a+b+c	
	The Company	From all consolidated entities
Less than \$1,000,000	Yin Li Investment Inc. Representative: Lin, Jhang A- Jhu , Wu Min-Zhen	Yin Li Investment Inc. Representative: Lin, Jhang A- Jhu , Wu Min-Zhen
\$1,000,000 (included) ~ \$2,000,000 (excluded)	—	—
\$2,000,000 (included) ~ \$3,500,000 (excluded)	—	—
\$3,500,000 (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)

2019, 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 profit		Number of shares granted via employee stock warrant		Number of shares granted via Restricted Stock Awards		Compensation Paid from Non-consolidated Subsidiaries or the Parent Company
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	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							
President	Lin Shu-Chen	2,485	2,485	58	58	3,288	3,288	5,499	—	5,499	—	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 2018

#### Remuneration Range

Remuneration Range of President and Vice Presidents	Name	
	The Company	From all consolidated entities
Less than \$1,000,000	—	—
\$1,000,000 (included) ~ \$2,000,000 (excluded)	—	—
\$2,000,000 (included) ~ \$3,500,000 (excluded)	—	—
\$3,500,000 (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:

2019, Unit: NT\$ thousands

	Title	Name	Stock (Note)	Cash (Note)	Total	Total paid to top managers as % of net profit
Manager	President	Lin Shu-Chen	—	6,900	6,900	0.44%
	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 2018

5. Top 5 managers who receive the highest remuneration:

The Company had not posted after-tax deficits in the financial reports in the most recent 3 fiscal years nor was the Company ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities had not been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, nor had the Corporate Governance Evaluation Committee resolved that the company shall be excluded from evaluation. Thus, this is not applicable to the Company.

(II) Compare respectively the ratio of the total amount of the remuneration paid to each of the directors, supervisors, president, vice presidents, etc. of the Company and all entities covered in the consolidated financial statements in the past two fiscal years to after-tax net profit stated in the financial reports along 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, vice presidents, etc. of the Company and all companies covered in the consolidated financial statements in the past two fiscal years to after-tax net profit stated in the financial reports

Item  Title	Total Remuneration as percentage of After-tax Net Profit				Change %	
	2019 (Note 1)		2018 ( 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	0.88%	0.88%	0.80%	0.80%	10.00%	10.00%
Supervisor	0.05%	0.05%	0.04%	0.04%	20.00%	20.00%
President and Vice President	0.73%	0.73%	0.73%	0.73%	0.00%	0.00%

Note 1: The 2019 employees' profit sharing bonus is estimated according to the actual distribution made in 2018.

Note 2: The 2018 total remuneration is the actual payment made

Explanation:

(1) Directors and Supervisors:

The 2019 remuneration paid in terms of percentage of net profit in the financial report increased by 10.00% and 20.00% because the net profit decreased by 12.26% in 2019. No significant adjustments were made to salary, directors' compensation and transportation expenses.

(2) President and Vice President:

The percentage remains the same in the most recent 2 fiscal years.

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 Remuneration 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 2019. 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	4	-	66.67	
Director	Wang Chun-Chiang	6		100.00	
Director	Chiu Yen-Chih	5	-	83.33	
Independent Director	Lee Wen-Chang	6	-	100.00	
Independent Director	Hsu Fang-Yih	6	-	100.00	
Independent Director	Cai Wen-Zhi	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: 01/09/2019
    1. Directors: Lin Tsung-Chi and Wang Chun-Chiang
    2. Proposal: Reviewing and approving employee cash bonus for 2017 and 2018 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: 01/09/2019
    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: 08/07/2019
    1. Directors: Wang Chun-Chiang

2. Proposal: Release of the non-compete restriction on the Vice President.
3. Reason for the recusals: the director above was the interested party.
4. Resolution: the proposal was approved by other attending Directors with the recusal of Wang Chun-Chiang (Director and Vice President).
(IV) Board meeting date: 11/06/2019
1. Directors: Lin Tsung-Chi, Lin Tsung-Lung and Wang Chun-Chiang
2. Proposal: Reviewing and approving remuneration to the directors and supervisors for 2018 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 information on the evaluation cycles, periods, scope, method and content of the Company's Board of Directors self-evaluation (or peer assessment) shall be disclosed, and complete Attachment 2 for the performance of the Board evaluation: Not applicable.
IV. 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 plans to set up an audit committee together with the re-election of Directors at the 2021 General Shareholders' Meeting, and will declare various financial and business information at MOPS in accordance with regulations in order to enhance the transparency of information.

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 13 <sup>th</sup> Board of Director the 4 <sup>th</sup> meeting on 01/09/2019	1. Reviewing and approving employee cash bonus for 2017 and 2018 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).		
	2. Reviewing salary adjustment for the Chairman and top managers.	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
The 13 <sup>th</sup> Board of Director the 5 <sup>th</sup> meeting on	1. The amendment to the Company's "Procedures for the Acquisition and Disposal of Assets".		✓
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		

02/27/2019	Resolution: The proposal was approved by all attending Directors.		
	2. 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.		
	3. Replacement of C.P.A.	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
	Resolution: The proposal was approved by all attending Directors.		
The 13 <sup>th</sup> Board of Director the 8th meeting on 08/07/2019	1. Release of the non-compete restriction on the Vice President.	✓	
	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 Wang Chun-Chiang (Director and Vice President).		
The 13 <sup>th</sup> Board of Director the 9th meeting on 11/06/2019	1. Reviewing and approving remuneration to the directors and supervisors for 2018 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, Wang Chun-Chiang, and Chiu Yen-Chih (Director).		

## Attendance of Independent Directors in 2019

◎ : Attendance in Person ; ☆: by Proxy ; \*: Absence

2019	Session 1	Session 2	Session 3	Session 4	Session 5	Session 6
Lee Wen-Chang	◎	◎	◎	◎	◎	◎
Hsu Fang-Yih	◎	◎	◎	◎	◎	◎
Cai Wen-Zhi	◎	◎	◎	◎	◎	◎

(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 2019.

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 monthly 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 those charged with governance when necessary. Besides, the audited financial statements and any specific matters to be communicated in accordance with related regulations shall be reported at the meetings of the boards of directors. 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 meeting and how the Company deals with such opinions shall be clarified: None

(III) Corporate Governance Implementation Status and any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for any such variance

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/TPEX Listed 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/TPEX Listed 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/TPEX Listed 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/TPEX Listed 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/TPEX Listed 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/TPEX Listed 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 and report the results of the evaluation at the Board Meeting and use it as reference for remuneration and the nomination for re-election.	✓		No methodology for evaluating the performance of the Board has been set up.	The Company expects to complete the formulation and performance evaluation in 2020.
(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 26, 2020. The review shows the CPAs, Chen Jhen-Li and, Kuo Lee-Yuan 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/TPEX Listed 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 have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handle matters relating to board meetings and shareholders’ meetings according to laws, prepare minutes of board meetings and shareholders meetings, etc.?)	✓		The matters of corporate governance 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/TPEX Listed 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 addition 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/TPEX Listed 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/TPEX Listed Companies.”

<p>VII. Information Disclosure</p> <p>(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(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.)?</p> <p>(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>The Company disclose the financials business and corporate governance status on our website at <a href="https://www.kingslide.com">https://www.kingslide.com</a>.</p> <p>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.</p> <p>The Company has published and reported its annual financial report of the year 2019 before the end of February 2020, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>	<p>All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."</p> <p>All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."</p> <p>All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>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 and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing</p>	<p>✓</p> <p>✓</p>	<p>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.</p> <p>2. Investor relationship: The Company post information of its operation to facilitate investors understanding to Market Observation Post System and on its website.</p>	<p>All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."</p>

insurance for directors)?	✓	<p>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.</p>	
	✓	<p>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.</p>	
	✓	<p>5. Continuing education for directors and supervisors: The Company arranges, from time to time, professional training and courses on corporate governance and other matters. The Continuing education for directors and supervisors as per attached list (note 3).</p>	
	✓	<p>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</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Illustration	
	✓		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 complaint 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.	
<p>IX. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and prioritized matters and measures to be improved upon for matters that have not been improved.</p> <p>The Company has conducted self evaluation of corporate governance based on the system of the sixth Corporate Governance Evaluation in 2019. According to the result of corporate governance evaluation, the Company is classified into the group of 36% to 50%. The Company plans to add another independent director and establishes the audit committee to strengthen the implementation in the Corporate Governance after the expiration of the term of directors and supervisors. Otherwise the Company will evaluate the possibility of future improvement for the part that has not been scored.</p>				

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# 10801454 of declaration from Deloitte & Touche, 12/13/2019

Recipient: King Slide Works Co., Ltd.

Subject: With respect to the audit of the Company's financial statements for the year ended in 2019, 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 Chen Jhen-Li

CPA Kuo Lee-Yuan

Note3 : The Continuing Educations Attended by Directors and Supervisors in 2019

Title	Name	Date	Host	Course	Hour	Regulation compliance
Chairman	Lin Tsung-Chi	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		11/01/2019	Taiwan Stock Exchange	Promotion Seminar on Effective Exertion of Directors' Functions	3	
Director	Lin Tsung-Lung	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		11/01/2019	Taiwan Stock Exchange	Promotion Seminar on Effective Exertion of Directors' Functions	3	
Director	Wang Chun-Chiang	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		11/01/2019	Taiwan Stock Exchange	Promotion Seminar on Effective Exertion of Directors' Functions	3	
Director	Chiu Yen-Chih	07/26/2019	The Securities and Futures Institute, ROC	2019 Briefing on Compliance with Laws Regarding Insider Equity Trading	3	Yes
		11/01/2019	Taiwan Stock Exchange	Promotion Seminar on Effective Exertion of Directors' Functions	3	
Independent Director	Lee Wen-Chang	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		07/26/2019	The Securities and Futures Institute, ROC	2019 Briefing on Compliance with Laws Regarding Insider Equity Trading	3	
Independent Director	Hsu Fang-Yih	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		05/10/2019	The Securities and Futures Institute, ROC	2019 Promotion Seminar on Prevention of Insider Trading	3	
Independent Director	Cai Wen-Zhi	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		07/26/2019	The Securities and Futures Institute, ROC	2019 Briefing on Compliance with Laws Regarding Insider Equity Trading	3	
Supervisor	Lin, Jhang A-Jhu	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		07/19/2019	The Securities and Futures Institute, ROC	2019 Briefing on Compliance with Laws Regarding Insider Equity Trading	3	
Supervisor	Wu Min-Zhen	04/18/2019	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Workshop	3	Yes
		07/19/2019	The Securities and Futures Institute, ROC	2019 Briefing on Compliance with Laws Regarding Insider Equity Trading	3	



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

(1) Compensation Committee members

Identity (Note 1)	Criteria	At least five-year work experience and meet the following professional qualification			Independent criteria (Note 2)										The number of other publicly Traded companies in which the individual is concurrently serving as an Compensation Committee member	Remark
		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 specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lee Wen-Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hsu Fang-Yih		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
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 any of its affiliates. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top ten in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (6) Not the same person of a director, supervisor, or employee of any other company controls the majority of the company's director seats or voting shares and those of any other company. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (7) Not the same person or spouses of a director (or governor), supervisor, or employee serves as the chairman, president, or employee holding an equivalent position of any other company or institution serves in any of those position in the Company. (This does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the total number of issued shares of a specified company or institution that has a financial or business relationship with the Company. (The does not apply to the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, or to the person serves as an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.).

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or mergers and acquisition special committee, who exercises powers pursuant to the Securities and Exchange Act, Business Mergers and Acquisitions Act, or related laws or regulations.
- (10) 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 2 meetings (A) were convened during 2019 with the attendance records as follows:

Title	Name	Attendance in Person (B)	by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Lee Wen-Chang	2	-	100.00	
Member	Hsu Fang-Yih	2	-	100.00	
Member	Cai Wen-Zhi	2	-	100.00	
<p>Other matters required reporting:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>					

(V) Corporate social responsibility implementation status and any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for any such variance:

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. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		For environmental management, the Company has a designated unit to guide relevant departments to obtain the required operation/working licenses in accordance with the relevant provisions of the environmental protection laws and regulations. The Company also adopts the ISO 14001 environmental management system to improve the environmental awareness of relevant departments. Also, in order to effectively implement the management of hazardous substances in all products, the Company adopts the IECQ International Standard for Hazardous Substances Process Management System (IECQ QC080000) in 2018 and passed the certification in January 2019, establishing a complete, systematic and clear management process. Through "process-oriented" approach, from the needs and expectations of stakeholders, management of risks and opportunities, to product design / development, material input to product output, documentation of information, and final satisfaction, the Company implements hazardous substances management, to continue to provide high-quality green products and services.	All associated matters are practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”

	✓	<p>As of end of 2019, the Company has adopted the following management systems: ISO 9001 Quality Management System, ISO 14001 Environmental management systems, OHSAS 18001 Occupational Health and Safety Management Systems, IECQ QC080000 Hazardous Substance Process Management System Requirements and (Authorized Economic Operator (AEO)).</p> <p>Through continuous operation of the above management systems, the Company can grasp and respond to the risks related to the environment, employee safety, customers, suppliers, etc. in the operation activities.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
II. 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?	✓	<p>A RBA Committee has been set up as the working unit for social responsibility that is in charge of promote CSR program and the associated policy.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
III. Environmental Issues			
(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓	<p>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 since 3th September 1999, the last version of ISO14001 is issued in 2015, it will be effective during 23th September 2017 to 23th September 2020.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>

<p>(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>✓</p>	<p>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.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
<p>(III) Does the Company assess the potential risks and possibilities of climate changes to the Company now and in the future, and take measures to respond to climate-related issues?</p>	<p>✓</p>	<p>The company insists on pursuing the maximization of shareholders' equity. For our goal and for the promotion of the development of circular economy, the Company attaches great importance to issues related to climate changes, and encourages the reuse of resources in the daily office environment: Such as the use of electronic invoices and the adoption of government official document electronic exchange mechanisms to facilitate the receiving and sending processes of documents, and save the time for document delivery, paperwork and postage costs. Use both sides of the paper if possible, and set up a resource recycling rack next to the photocopier to recycle and reuse waste paper, in order to greatly reduce resources such as paper consumption. In addition, the office installs energy-saving LED lamps, and sets a light-off lunch break policy to reduce power consumption and slow down global warming.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>

<p>(IV) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?</p>	<p>✓</p>	<p>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 Company actively promotes energy saving and carbon reduction improvements, continuously improves the efficiency of energy use in production, and reduces the impact of operations on the environment.</p> <p>The reduction targets are as follows:</p> <p>(1) The solid waste reduction target in 2019 was 19.16KG/ 1000 product sets (the actual reduction was 16.43KG in 2019, and 19.75 KG in 2018).</p> <p>(2) The water usage reduction target in 2019 was 15.32L/m<sup>2</sup> (the actual reduction was 17.52L/m<sup>2</sup> in 2019, and 15.74 L/m<sup>2</sup> in 2018).</p> <p>(3) The Greenhouse gas reduction targets in 2019: ① King Slide Works Plant in 2019: 84.78 tons of CO<sub>2</sub>e (the actual reduction was 576.1 tons in 2019, and 312.589 tons in 2018); ②King Slide Technology Plant in 2019: 206.09 tons of CO<sub>2</sub>e (the actual reduction was 1431.43 tons in 2019, and 1059.94 tons in 2018)</p> <p>The measure taken included:</p> <p>(1) The stamping motors were replaced with frequency-conversion-control ones; Air compressor was replaced with a high-efficiency air compressor, metal halide lamps were replaced with LED energy-saving lights, the metal halide lamps were replaced with high bayLED lights.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
--	----------	---	--

		<p>(2) Automatic fan-off during rest period is set, power-off for automatic hydraulic fan and motor 15T punch machine after 10-min idling.</p> <p>(3) Regularly Replace the RO films from two RO machineries to improve the removal and recycling efficiency to cut down water usage.</p> <p>(4) Entrust a third-party impartial agency recognized by the Environmental Protection Agency to sample and test the water every six months, and the laboratory shall test and record water quality data every day to monitor changes in water quality.</p> <p>(5) An extra sludge dryer was procured to further cut down sludge moisture content and solid waste.</p>	
IV. Preserving Public Welfare			
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓	<p>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."</p>	<p>All associated matters are being practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies."</p>
(II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance in employee compensation?	✓	<p>The matters regarding work relationship, cooperation, employment terms and welfares are bilateral discussed in the regularly-held labor meetings. Please refer to page 98 of this annual report for relevant employee welfare measures.</p> <p>In addition to the provision of employee compensation in</p>	<p>All associated matters are being practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies."</p>

			<p>accordance with the Articles of Incorporation, the annual salary adjustment is also calculated in accordance with the relevant measures and reviewed by the Remuneration Committee and the Board of Directors. Therefore, the operating performance or results have been properly reflected in the employee compensation.</p>	
(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?	✓		<p>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.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
(IV) Does the Company provide its employees with career development and training programs?	✓		<p>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.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>



<p>(V) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures ?</p>	<p>✓</p>	<p>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.</p> <p>The Company values customer privacy and intellectual property rights and signs confidentiality agreements with customers to protect customer confidential information.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>
<p>(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?</p>	<p>✓</p>	<p>The Company's supplier development strategy is as follows:</p> <ol style="list-style-type: none"> <li>1. Promote global supplier integration to improve procurement efficiency.</li> <li>2. Incorporate human rights and environmental indicators through supplier management to build a green supply chain with suppliers.</li> <li>3. Strengthen policy of local procurement to reduce the environmental footprint of the procurement process and to promote local community economic development.</li> </ol> <p>The evaluation team regularly reviews and formulates supplier audit plans, plans labor human rights themes, health and safety themes, environmental themes, ethical themes, and management system themes to carry out supplier audit evaluations. If a supplier is found to be in violation of the regulations, the Company will advise the supplier and assist its growth.</p>	<p>All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
V. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance to the internationally-used reporting standards or guidelines? Have such reports been assured, verified or certified by a third party?	✓		The Company’s CSR report is compiled based on GRI Standards, but has not yet been certified by any third party. Webpage: <a href="https://www.kingslide.com/about_csr_report/">https://www.kingslide.com/about_csr_report/</a>	All associated matters are being practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies.”
VI. 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.				

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.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 involvement, social contribution activities , human rights, and any other social responsibility activities:				
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 2019 are as follows:				
(1) In order to achieve the concept of book resource sharing and environmental protection and love for the earth, we sincerely invite employees of the Company to share books of their recommendation with more people to extend the life of the book. A total of about 200 books in 8 large boxes are donated to the local community Luzhu Library for the community to read.				
(2) We collaborate with Andrew Charity Association to donate 20 boxes of Food Boxes every month. These boxes contain foods mainly for the development needs of children aged 4-15. The room temperature Food Boxes contain staple (white rice, noodles), non-staple food (milk powder, meat floss, canned meat and prepared foods, cereals, brewed beverages, long life milk, nutrition biscuits) and inspirational reading materials. We care for children who grow up in poverty and hunger and accompany them through hard times.				
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.				

(VI) Ethical corporate management implementation status and any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for any such variance:

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	✓			It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(I) Does the Company establish its ethical corporate management policies which approved by the board of directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitments from its board and higher 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.	
(II) Has the Company established an evaluation mechanism for the risk of unethical conduct? Does the Company regularly analyze and evaluate business activities with a higher risk of unethical conduct in the business scope, and formulate a plan to prevent unethical conduct, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established effective accounting policy and internal control system to prevent the business activities at the higher risk of being involved in an unethical conduct, such as having under-the-table accounts or keeping secret accounts, and conducted reviews regularly to ensure the effectiveness of the design and enforcement of the systems. The Company also requires relevant departments to conduct regular or irregular sampling checks on whether the Company has complied with the Best-Practice Principles, based on which to prevent unethical conduct.	
(III) 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 and review the policies afore mentioned on a regular basis?	✓		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.	

<p>II. Implementing ethical corporate management</p> <p>(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?</p>	✓	<p>The Company also reduces the risk of various types of unethical conduct through internal control operations and routine audits.</p> <p>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.</p>	<p>It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
<p>(II) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies, and plans and supervision on ethical corporate management policies and prevention program of unethical conduct on a regular basis (at least once a year) ?</p>	✓	<p>To ensure full implementation of our ethical management policy, we have assigned the following affairs to the related departments:</p> <ol style="list-style-type: none"> <li>1. Finance department: Filing work for all work execution and reporting document, as well as the associated tasks and execution supervision.</li> <li>2. Patent and audit office <ol style="list-style-type: none"> <li>(1) Assisting integrating integrity and ethical value into business strategies and formulating associated preventive measures against mal-practices according to the laws and regulations.</li> <li>(2) Formulating programs for unethical conducts prevention with the associated standard operation procedures and guidelines.</li> <li>(3) Organization and departmental function planning and setting the check-balance and monitoring mechanism for department that comes with greater possibility of mal-practices.</li> </ol> </li> <li>3. Administrative division: <ol style="list-style-type: none"> <li>(1) Promoting and coordinating training programs of ethical management policy</li> </ol> </li> </ol>	<p>It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

			<p>(2) Whistleblowing system planning and effect review</p> <p>4. Audit office: assisting the Board and the management monitoring and reviewing ethical management policies and related measures by providing the evaluation report to the Board</p>	
(III) Has the Company formulated and implemented policies to prevent conflicts of interest and provide appropriate ways to record any potential conflicts found?	✓		<p>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.</p>	<p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
(IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of unethical conduct risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?	✓		<p>The company has established a strict accounting system and internal control system. The Company has a dedicated accountant, financial department and internal audit department to perform usual internal control management. The internal auditors will also list the high-risk operations in the annual audit plan for evaluation, and compile the audit results into audit reports regularly submit them to the Supervisor, Independent Directors for review, and attend and report at the Board Meetings. In addition, the financial reports are audited by the CPAs to ensure the fairness of the financial statements.</p>	<p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
(V) Does the Company periodically hold internal and external ethical corporate behavior training?	✓		<p>The Company has regular internal and external training program on ethical management.</p>	<p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

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) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	✓		The Company has created “Management Procedures for whistle blowing, Filing Complaints and Suggestions” and “Whistleblower Protection and Anti-Revenge” for complaint handling, follow-up measures to be taken after the investigation is completed, 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 30 in this annual report.

(IX) Internal Control System Execution Status

1. Internal Control System Statement: Please refer to Page 124 in this annual report.

2. CPA review report on assessment of internal controls: Not applicable

(X) Any legal penalty imposed on the Company or its internal staff, or any disciplinary penalty the Company has imposed on its internal staff for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the penalty, 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 reached in the annual shareholders' meeting on June 26, 2019 and the implementation status:

(1) Approved the 2018 business report and financial statements.

(2) Approved the 2018 earnings distribution.

Implementation status: A per share cash dividend NT\$ 9.5 dollar was made with the dividend base date set on September 02, 2019 and the distribution date set on October 01, 2019. (A cash dividend of NT\$ 9.5/share)

(3) The amendment to the Company's "Procedures for the Acquisition and Disposal of Assets" was adopted.

Implementation status: The amendment was publicly announced on the Company's website at June 28, 2019 and has been implemented accordingly.

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 13 <sup>th</sup> Session 4 01/09/2019	<ol style="list-style-type: none"> <li>1. Approved the 2019 financial budget</li> <li>2. Approved the distribution amount of 2017 employee cash bonus and 2018 year-end bonus proposal for the Chairman and the management team.</li> <li>3. Approved the salary adjustment for the Chairman and top managers .</li> </ol>
The 13 <sup>th</sup> Session 5 02/27/2019	<ol style="list-style-type: none"> <li>1. Approved the 2018 financial statements, consolidated financial statements, and business report.</li> <li>2. Approved the 2018 employees and directors and supervisors profit sharing.</li> <li>3. Approved 2019 annual shareholders' meeting date.</li> <li>4. Approved the venue and period of accepting shareholders' suggestions for 2019 annual shareholders' meeting.</li> <li>5. Approved the 2018 earnings distribution.</li> <li>6. Approved the amendments to "Procedures for Acquisition or Disposition of Assets."</li> <li>7. Approved the 2018 Internal Control System Statement.</li> <li>8. Approved the amendment of "Internal Control Policy" and "Internal Audit Implementation Rules" in writing.</li> <li>9. Approved the replacement of certified public accountant.</li> </ol>
The 13 <sup>th</sup> Session 6 05/07/2019	<ol style="list-style-type: none"> <li>1. Approved formulating the standard operating procedures of handling directors' requests.</li> </ol>
The 13 <sup>th</sup> Session 7 06/26/2019	(1) Approved the dividend base date and distribution date of cash dividend distribution.
The 13 <sup>th</sup> Session 8 08/07/2019	<ol style="list-style-type: none"> <li>1. Approved applying comprehensive credit line from Chang Hwa Commercial Bank.</li> <li>2. Approved the release of no-compete restriction of the Vice President.</li> </ol>
The 13 <sup>th</sup> Session 9 11/06/2019	<ol style="list-style-type: none"> <li>1. Approved the 2020 annual internal audit program.</li> <li>2. Approved remuneration to the directors and supervisor for 2018 service.</li> </ol>
The 13 <sup>th</sup> Session 10 01/10/2020	<ol style="list-style-type: none"> <li>1. Approved the 2020 financial budget.</li> <li>2. Approved the distribution amount of 2018 employee cash bonus and 2019 year-end bonus proposal for the Chairman and the management team.</li> <li>3. Approved the salary adjustment for the Chairman and top managers .</li> </ol>
The 13 <sup>th</sup> Session 11 02/26/2020	<ol style="list-style-type: none"> <li>1. Approved the 2019 financial statements, consolidated financial statements, and business report.</li> <li>2. Approved the 2019 employees and directors and supervisors profit sharing.</li> <li>3. Approved 2020 annual shareholders' meeting date.</li> </ol>

Board meeting	Major resolutions:
	<ol style="list-style-type: none"> <li>4. Approved the venue and period of accepting shareholders' suggestions for 2020 annual shareholders' meeting.</li> <li>5. Approved the 2019 earnings distribution.</li> <li>6. Approved the revision of "External Party Lending, Endorsement and Guarantee Procedures".</li> <li>7. Approved the 2019 Internal Control System Statement.</li> <li>8. Approved the replacement of certified public accountant.</li> </ol>
The 13 <sup>th</sup> Session 12 05/06/2020	<ol style="list-style-type: none"> <li>1. Approved the professional fees to Deloitte &amp; Touche for 2020 auditing services.</li> <li>2. Approved the revision of "External Party Lending, Endorsement and Guarantee Procedures".</li> </ol>

(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, corporate governance 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	Chen Jhen-Li	Kuo Lee-Yuan	01/01/2019 ~ 12/31/2019	

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
2,610	-	-	-	522	522

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\$32 thousands on service charge on Samoa subsidiary.

- (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 10% 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

Date of Replacement	1. Approved by the Board of Directors on February 27, 2019 2. Approved by the Board of Directors on February 26, 2020		
Replacement explanation	1. 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. 2. Due to the internal rotation of the accounting firm, Deloitte&Touche, Chen Jhen-Li and Kuo Lee-Yuan as the independent auditors for the Company were succeeded by Chen Jhen-Li and Chiang Jia-Ling.		
Specify whether the appointment is terminated or unaccepted by the Company or the CPA.	Parties	CPA	The Company
	Status	Not applicable	
	Voluntray Termination of appointment		
	No longer accepted (continued) appointment		
Reasons and opinion for issuing audit reports expressing other than unmodified opinion over the past two years	None		
Any disagreement with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or procedures
			Others
	None		
	Specifica tion:	Not applicable	

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)	None
---	------

(II) Information regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	1. Chen Jhen-Li and Kuo Lee-Yuan 2. Chen Jhen-Li and Chiang Jia-Ling
Date of appointment	1. Approved by the Board of Directors on February 27, 2019 2. Approved by the Board of Directors on February 26, 2020
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	2019		As of May 02, 2020	
		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	130,000	—	—	—
Independent Director	Lee Wen-Chang	—	—	—	—
Independent Director	Hsu Fang-Yih	—	—	—	—
Independent Director	Cai Wen-Zhi	—	—	—	—
Supervisor	Yin Li Investment Inc.	—	—	—	—
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 05/02/2020; 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%	—	—	Hai Hu Investment Inc. Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	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 A first-degree relative of the Chairman Father and son	
Hai Hu Investment Inc. Chairman: Lin Shu-Hui	6,323,207	6.64%	—	—	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Long Shen Investment Inc.	Father and daughter The Chairman of the entity A second-degree relative of the Chairman	
	1,574,705	1.65%	—	—	—	—	Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings	
Hong-Yi Investment Inc. Chairman: Lin Shu-Hui	6,236,232	6.54%	—	—	—	—	Lin Tsung-Chi Hai Hu Investment Inc. Long Shen Investment Inc.	Father and daughter The Chairman of the entity A second-degree relative of the Chairman	
	1,574,705	1.65%	—	—	—	—	Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings	
Long Shen Investment Inc. Chairman: Lin Shu-Juan	6,232,767	6.54%	—	—	—	—	Lin Tsung-Chi Hai Hu Investment Inc. Hong-Yi Investment Inc.	Father and daughter A second-degree relative of the Chairman A second-degree relative of the Chairman	
	852,549	0.89%	131,963	0.14%	—	—	Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings	
Discretionary investment account of Cathay Life managed by Yuanta Investment Trust	5,670,000	5.95%	—	—	—	—	—	—	
Sheng-Xuan Investment Inc. Chairman: Lin Shu-Hua	4,203,035	4.41%	—	—	—	—	Lin Tsung-Chi Hai Hu Investment Inc. Hong-Yi Investment Inc.	Father and daughter A second-degree relative of the Chairman A second-degree relative of	

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	
	872,776	0.92%	9,000	0.01%	—	—	Long Shen Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	the Chairman A second-degree relative of the Chairman The Chairman of the entity Siblings	
Fubon Life Insurance Co., Ltd	4,000,000	4.20%	—	—	—	—	—	—	
Hui Ying Investment Inc. Chairman: Lin Shu-Hua	3,644,606 872,776	3.82% 0.92%	— 9,000	— 0.01%	— —	— —	Lin Tsung-Chi Hai Hu Investment Inc Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Lin Tsung Lung	Father and daughter A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman The Chairman of the entity Siblings	
Nan Shan Life Insurance Company, Ltd.	2,751,000	2.89%	—	—	—	—	—	—	
Lin Tsung-Lung	2,544,790	2.67%	596,138	0.63%	—	—	Lin Tsung-Chi Hai Hu Investment Inc Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying 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 A second-degree relative of the Chairman	



**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, 2019; 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.	200	100%	—	—	200	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%
King Slide Technology (Shenzhen) Co., Ltd.	—	100%	—	—	—	100%

## Four. Capital

### I. Capital and shares

#### (I) Sources of capital

##### 1. Capital Formation

May 02, 2020; 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 48,000,000 shares from 38,760,000 shares, of which 2,500,000 shares 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 80,000,000 shares from 48,000,000 shares. 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	—	09/05/2006 Ri Jing Shou Shang

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
						by earnings		Zi #09501198990
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 05/02/2020; Unit: One share

Share Types	Authorized Capital			Remark
	Outstanding shares		Unissued shares	
	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 May 02, 2020						
Shareholder Structure Quantity	Government agencies	Financial institutions	Other juristic person	Individuals	Foreign institutions and individuals	Total
Number of shareholders	0	10	52	2,257	229	2,548
shareholding (shares)	0	13,825,000	30,965,699	28,338,340	22,168,033	95,297,072
Shareholding(%)	0.00%	14.51%	32.49%	29.74%	23.26%	100.00%

(III) Distribution of share ownership

1. Ordinary shares

NT\$ 10 par

As of May 02, 2020				
Shareholding class	Number of shareholders	Shareholding (shares)	Shareholding (%)	
1 ~ 999	883	130,551	0.14%	
1,000 ~ 5,000	1,242	2,115,540	2.22%	
5,001 ~ 10,000	120	914,513	0.96%	
10,001 ~ 15,000	55	715,562	0.75%	
15,001 ~ 20,000	31	565,599	0.59%	
20,001 ~ 30,000	43	1,059,962	1.11%	
30,001 ~ 40,000	28	996,985	1.05%	
40,001 ~ 50,000	14	649,185	0.68%	
50,001 ~ 100,000	46	3,229,423	3.39%	
100,001 ~ 200,000	28	3,989,293	4.19%	
200,001 ~ 400,000	21	6,295,395	6.61%	
400,001 ~ 600,000	9	4,368,185	4.58%	
600,001 ~ 800,000	5	3,468,000	3.64%	
800,001 ~ 1,000,000	3	2,643,325	2.77%	
More than \$ 1,000,001	20	64,155,554	67.32%	
Total	2,548	95,297,072	100.00%	

2. Preferred shares: None.

(IV) List of major shareholders

The name, number of shares, and stake held of the shareholders with a stake of 5% or more, or of all the shareholders who rank in the top 10 in shareholding percentage, if those are fewer than 10 shareholders

As of May 02, 2020

Shareholder	Shares	Shareholding (shares)	Shareholding (%)
Lin Tsung-Chi		8,260,121	8.67%
Hai Hu Investment Inc.		6,323,207	6.64%
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		5,670,000	5.95%
Sheng-Xuan Investment Inc.		4,203,035	4.41%
Fubon Life Insurance Co., Ltd		4,000,000	4.20%
Hui Ying Investment Inc.		3,644,606	3.82%
Nan Shan Life Insurance Company, Ltd.		2,751,000	2.89%
Lin Tsung-Lung		2,544,790	2.67%

(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			2018	2019	As of March 31 ,2020
market price per share	Highest market price	Before adjustment	465.00	392.00	374.50
		After adjustment (Note 1)	460.00		
	Lowest market price	Before adjustment	284.50	284.50	271.00
		After adjustment (Note 1)		275.00	
	Average market price		395.02	336.17	339.96
net worth per share (Note 2)	Before distribution		105.72	112.50	117.29
	After distribution		96.22	(Note 8)	(Note 8)
Earnings per share (Note 3)	Weighted average shares (thousand shares)		95,297	95,297	95,297
	Before adjustment		18.64	16.35	4.80
	After adjustment		18.64	(Note 8)	(Note 8)
dividend per share	Cash dividend		9.50	(Note 8)	—
	Stock dividend	—	—	(Note 8)	—
		—	—	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Return on Investment	Price/Earnings Ratio (Note 5)		21.19	20.56	—
	Price/Dividend Ratio (Note 6)		41.58	(Note 8)	—
	Cash Dividend Yield (Note 7)		2.40	(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\$ 8 per share for a total of NT\$ 762,376,576.

The proposal above has approved by the Board meeting on February 26, 2020 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 26, 2020 was no different from the estimated distribution recognized in 2019, 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\$ 62,329,000

② Directors and supervisors' remuneration 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 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 26, 2020 was made in cash.



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

Distribution	2018			
	Actual distribution resolved in shareholders' meeting	Distribution proposed by the Board meeting	Discrepancy	Reason for discrepancy
1. Employee cash bonus (in NT\$ thousands)	74,726	74,726	—	—
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	2019
Server rail kits and other equipment rail kits	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 furniture. 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, account for the significant share of global severs shipment volume, followed by Oracle and Fujitsu. Less than 30% shipment comes 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, Wintrom, 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 contrast, because the tower products is large and not conducive for stacking, its proportion is constantly decreasing. Although the growth of the Blade Server market is expected, the initial construction cost is still high. Rack Mount Server is still the market mainstream; particularly the 1U, 2U and other Rack Mount specifications account for almost 60% of Taiwan's server shipments.

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 saving solutions, as server-based 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 electricity expense. Therefore, big brand server vendors continue to improve its hardware by focusing on energy saving, and acquire planning of more storage equipment 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 drive the growth stability of server industry.

The development of the cloud and mobile computing is the source of the servers and data centers growth in recent years. In the recent years, the demand for network

devices have grown due to more video and music streaming and faster data transmission requirements; according to the Cisco Annual Internet Report, the report shows that the number of global Internet users grow at a compound annual growth rate of 6% from 2018 to 2023 (Figure 1), and the report also predicts that the application of network devices such as smart watches, video surveillance, and healthcare monitoring will be growing at a compound annual growth rate of 10% higher than the number of Internet users (Figure 2), the number of network devices per capita will increase from 2.4 in 2018 to 3.6 in 2023.

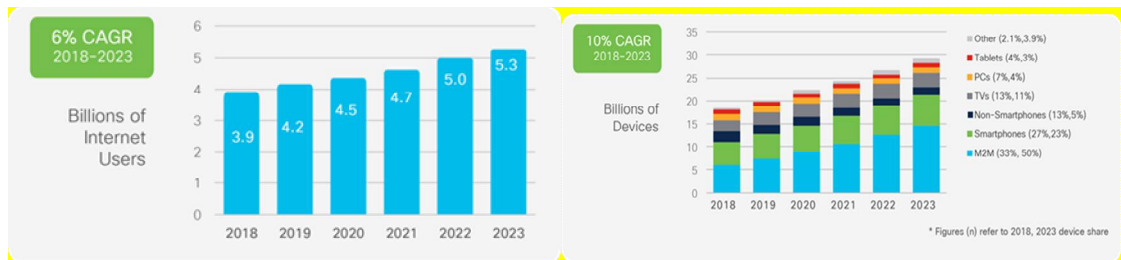


Figure 1: Estimated growth of global Internet users

Figure 2: Growth of network device users

Source: Cisco Annual Internet Report, 2018–2023

The Cisco Annual Internet Report believes that from 2018 to 2023, public wifi hotspots will grow from 169 million to 628 million (Figure 3), a nearly four times of increase, in which about 46% highest coverage ratio is based in Asia, showing that the server industry's demand is at a steady growth trend.

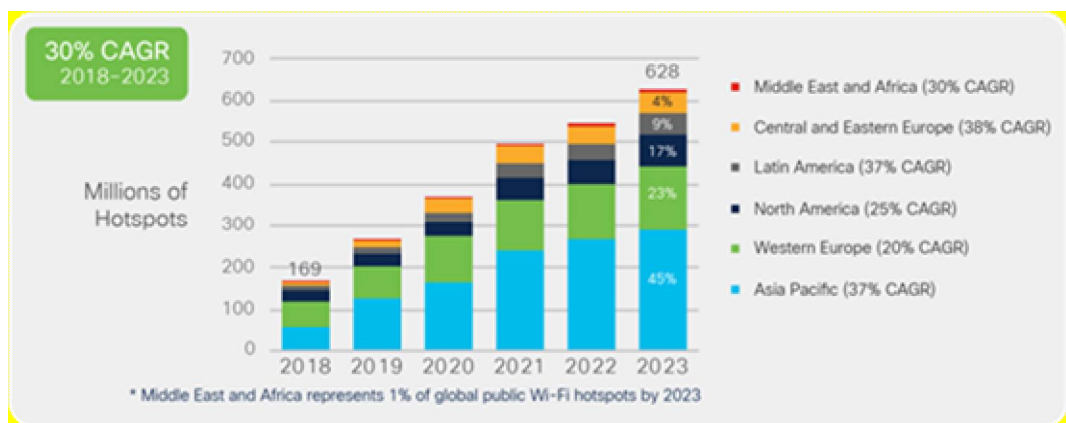


Figure 3: Global wifi hotspot growth condition

Source: Maravedis, Cisco Annual Internet Report, 2018–2023

## (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.

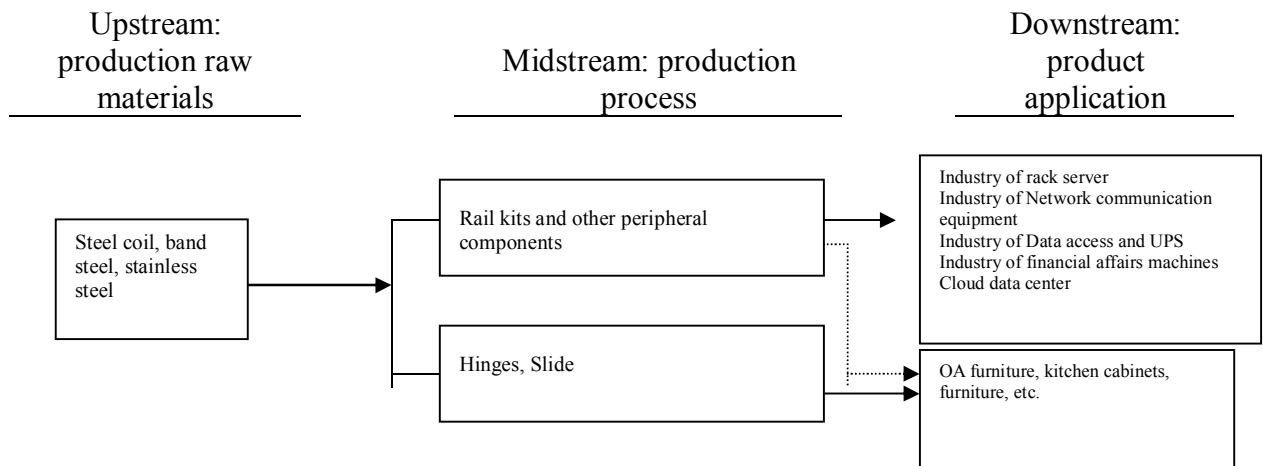
The furniture industry in Taiwan started to form since the introduction of woodworking machinery for semi-automated production in 1956 after nearly a decade of hand-made production. The furniture industry in Taiwan took off during the period

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 out of five furniture in the 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 standout 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 trend apply Rail kits more extensively, as the components allow the features of slim, heavy loading, user-friendly, installation friendly and safety on the same server 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 in its marketing. Because King Slide brand has excellent recognition in the market set in middle to high end price range trading domestically instead of import foreign brand product; market to sell King Slide brand international to replace foreign famous brand. Using King Slide's better design and high quality features as the marketing strategy to avoid price competition.

(III) Technology and R&D status

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

Unit: NTDthousand

Item \ Year	2019	As of March 31, 2020
Research expenditure	231,418	57,090
Net revenue	4,868,807	1,161,120
Research expenditure as a percentage of net revenue	4.75%	4.92%

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

Based on continued R&D and innovation, the Company has developed the thinner models and the corresponding mechanism with the related patents applied for the server-used Rail Kit and introduced a new production technology for the mechanism to further improve the product quality and production capacity and efficacy. The Company also develops heavy-duty models with the corresponding mechanism to provide a more comprehensive and wider variety of choices. For the high-end products such as slides and hinges, the Company has adopted new mechanical functions designed based on the comprehensive analysis of user requirements to make the high-end slides and hinges more user-friendly. Besides, the Company has not only developed production technology and aiding techniques to achieve high efficiency and high quality, but also updated the existing techniques to help the high-end products respond to the new needs of the market and the growth of the Company. Meanwhile, the Company is also developing and advancing technologies related to the mechanism components, in aim to keep up with the evolution and innovation of the mainframe products, and to further equip itself with more flexibility and



capability to respond to the variety of needs.

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
2019	Application number: 199; Number of granted: 366
2020 and up to the date of publication of the annual report	Number of patent rights applied: 47; Number of patent rights granted: 114

(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 style, 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, including 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 world-renowned brand.

(2) Production strategy

We are aiming to rationalize the production procedures with intellectual production management system by phasing in streamlined manufacturing for cutting 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 2019

Product Area	Guide track	Slide rails	Hinge	Other	Total
Taiwan	25%	0%	3%	0%	28%
China	19%	0%	0%	0%	19%
U.S.A.	26%	0%	0%	1%	27%
Other	25%	1%	0%	0%	26%
Total	95%	1%	3%	1%	100%

(2) Product market share

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, competitive advantages

(1) Market demand analysis

① Slide rails and hinges

With the progress of human civilization, the improvement of living standards, uses of hinges and slides have expanded widely and become ubiquitous from home cabinets, to office facilities and computer peripherals; demands have also expanded. However, owing to the shrunk global economy in the past few years, as much as 20% to 25% international brands company such as GLASS , HETTICH is now label as China product. In addition, Chinese EMS product quality could not be controlled causing dropping price, poor quality product in the market, self-cut on price for low margin. This indirectly impact the mid-high end price who is focus on good quality and branding where the market share is not even close to 35% which cover by European company such as BLUM and SALICE. The waken of economy, rise of consumer ideology, a quality life style with reasonable pricing, excellent quality replacing with user-friendly product, the middle-high price can be expected to rise in the market. In additional, international furniture, kitchen, and system cabinet factories must shift their orders to Southeast Asia due to production limitation and cost factors, Taiwan has most competitive advantage therefore we have potential in the market demand.

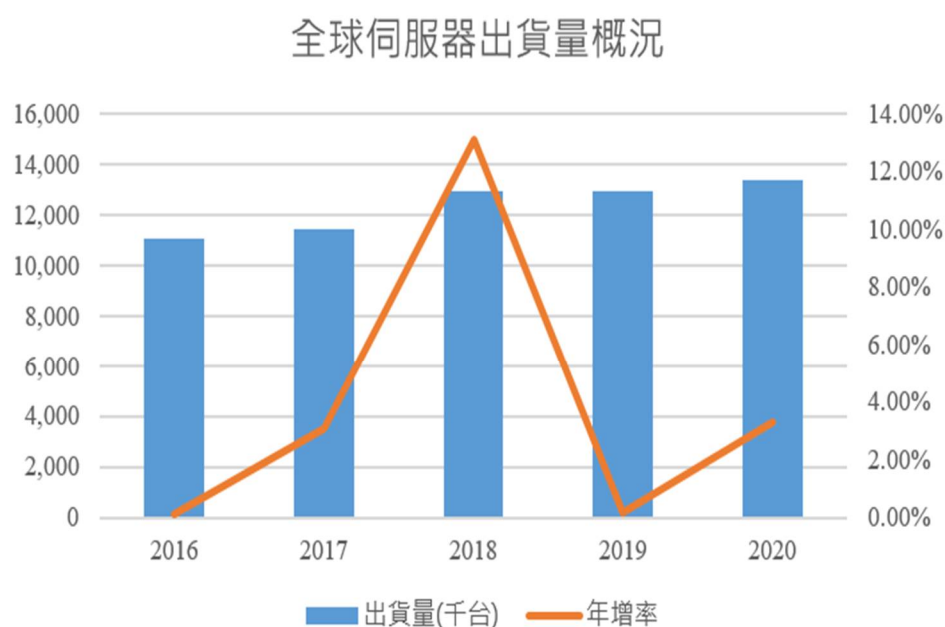
② Rail kits:

Analysis of server appearance, servers are still in old rack mounted style in the market, most large scale company use this type of rack mount server when consider for better expandability. The server brand then mostly design rack mount server with 5U height to allow better flexibility when planning layout of hard disk in which this also increase the grow energy we wanted.

In addition, in terms of the growth of the global server market, cloud applications continue to flourish. In response to the rapid increase in the number of users, cloud service companies are actively expanding hardware devices to meet their customers' needs. Taiwanese manufacturers participate in Facebook's open computing programs (Open Compute). Project, OCP) has gradually achieved results after many years. In addition to the significant increase in visibility, technical capabilities have also been recognized by global customers. At present, in addition to Google, Facebook, Amazon and other global first-line super-large data center manufacturers in direct cooperation with Taiwanese manufacturers, recently included online and cloud service providers, and even multinational media operators, telecommunications and financial industry, have successively negotiated with Taiwanese manufacturers. The possibility of sales (ODM Direct) cooperation model, most of the super-large data center operators in the development trend of the cloud data center continue to expand, tend to purchase servers directly from the foundry, so the demand for construction of large data centers increases It is expected to drive the growth of global server shipments. However, the development of cloud application services has gradually matured. More and more small and medium-sized enterprises have abandoned the construction of their own computer rooms, and the use of leased cloud services has reduced the cost of IT procurement and maintenance. For international server brands, the sales of traditional enterprise customers is gradually decreasing proportionally; on the other hand, the introduction of virtualization applications and high-density products has led to a reduction in the demand for enterprise procurement server hardware and an impact on overall market shipments.

Looking ahead to the performance of the global server industry in 2020, as Intel's new server platform-Whitley will be launched in 2020, the conversion of new and old platforms, specifications and performance improvements are expected to

drive the demand for server replacement. In addition, with the continuous conversion of 5G, applications such as artificial intelligence and edge computing have increased the demand for high-speed computing, which has led to a rebound in data center capital expenditures, which will help drive data centers, cloud service providers, and second-tier cloud service providers as well as the telecommunications service providers and others' expansion in purchase orders. Therefore, it is expected that the server output value will grow in 2020 (Figure 4). Another must watch item is that the global impacts by the COVID-19 virus in 2020, indirectly increase the demand for remote office work and distance education in this sense the kinetic energy of cloud building is not yet turned off. Therefore, it is estimated that there is no significant adverse impact on the server demand; overall there is no obvious impacts.



資料來源：Gartner，富邦投顧，台灣經濟研究院產經資料庫整理(2020年1月)。

Figure 4 : Overview of global server shipments

In Taiwan, Taiwan's server foundry industry has two important growth opportunities. First, mainland BAT Baidu, Alibaba, and Tencent are launching new Internet services to drive data center demand with high growth rate. Secondly, Amazon's data center conversion opportunities, Amazon will improve the ODM Direct model and reduce procurement standards. Under the two major opportunities, the Taiwan server foundries can grow in the future. In the future where computing

needs are growing, Taiwanese players play the role of the main foundry for the global servers, even if the hardware market configuration will change, whether it is very large Internet service providers or international brand players will still give priority to cooperation with Taiwanese companies. Unlike, the mainland China brands seeking to self-made, Taiwanese companies will not be affected and still hold its foundry position in the global server industry.

As the demand for ultra-large data center operators grows strongly, and these Internet service providers prefer to its supplier to provide more customized products, which allow the business opportunities of foundries and parts suppliers continue to expand. Server foundries such as Quanta, Inventec and Wistron also extend their products from server boards and server systems to rack-mount products (including servers, Ethernet switches and storage) and directly compete with server and Ethernet switch American brands such as HP, DELL, and Cisco, therefore the foundry server revenue grew strongly. In addition to the growth of data center customer demand, the proportion of rack-mounted products increased (accounting for 20-30% of total server shipments); the increase in average price is the main reason. It is expected that the trend of increasing the proportion of rack-mounted products will continue in 2017 and will benefit the related industry chain manufacturers.

## (2) Market supply analysis

### ① Rail kits:

Due to the high barriers to entry for various servers and other peripherals, the technology is mostly controlled by foreign manufacturers. King Slide can develop and supply products in synchronize so there is no market supply issue.

### ② Slide rails and hinges market

As the market demand has gradually increased, the competitors who have invested in the industry continue to increase causing an oversupply of hinges and slides in the overall market, and the price competition is fierce. Both European and American manufacturers have stopped producing European-style slides and some hinge products. As two main factors, the original manufacturers have transferred its orders to the Southeast Asian market due to price. This forms a trend of large-scale transfer orders to the mainland and Taiwan in the market, resulting in a shortage of supply in the export markets of the two regions. In particular, this has reflected more on the manufacturers with more scale and stable quality, or competitive in price.

(3) Market growth potential:

① 3C market:

In the long run, the main needs of the cloud server industry come from the telecommunications industry, the financial industry, government agencies, and large manufacturing industries. With the increase of low-end smart handheld devices, the demand for back-end servers will also be increased. According to the observation of the Institute of Industrial Intelligence (MIC), Taiwan's server shipments orders come from large data centers which will continue to focus on domestic server shipments. Brands are also actively introducing new products, in addition to the new server hardware while carrying out more services, software in which stands out from its traditional hardware supplier role as ODM foundry and their supply chain performance can be expected. In addition, the rise of brand players in mainland China and the increase in the proportion of white brand network server purchases by the large-scale Internet service providers, this will incite the existing brand and traditional industry chain supply patterns, prompting the Taiwanese strategic layout in seeking to strive the Chinese brand OEM order" and "Strive for White brand Server Order".

In the future, in close cooperation with IBM, HP, DELL, ORACLE, Fujitsu-Siemens International Servers and major white-label markets, it will bring additional potential business opportunities to the company and match the changes in the appearance of the server market. Related network communication, storage, UPS, KVM, and other peripheral products to the rackmount designs make the application of the slide rail kit wider. And because the industry does not have specific statistics on the relevant global shipments data so it is impossible to assess how many potential opportunities in the market, but the application of the slide rail kits will be more popular in the foreseeable future, and there is indeed a potential market that needs to be developed.

② Traditional market:

It is expected that the prosperity of the traditional consumer market and real estate will gradually pick up, which will bring performance improvement to the company.

③ Steel cabinets market:

International manufacturers have shift its order faster due to cost factors and production constraints. The market will continue to grow in the future based on existing performance.

(4) Market's Future competitive niche:

① Rail kits market:

In the past few years, due to the continuous transformation of the industry, involving in the development of server and network communication equipment components, lead us to develop a series of rack-mounted server rail kits, and obtained many patents related in many countries. Because there is no uniform in the use of standards and specifications in this part of this product development industry, the entry barriers become high, and the application of patents is also difficult. To obtain the certification and recognition from the international companies is testing the rapid development and real-time production skill of the company. In this case, most of the competitors are almost occupied by European and American companies such as Accuride, Jonathan, and General device. After these rigorous competition, finally got awarded by International server brands such as IBM, HP, SUN, Fujitsu-Siemens, DELL. Many years of cooperation, and because the company considers the function of humanization in product design, regardless of price, quality, test conditions, delivery date and product functions, it is determined by customers that we are above the competitors. Therefore, customers' new product has gradually adopted the slide rail kits designed and manufactured by the company. The recognition by these international server manufacturers will provide the company with a favorable competitive advantage in this market and eliminate the obstacles in the way when marketing our business.

② Slide rails and hinge markets

In the past few years, due to poor economy and fierce price competition, mainland China products have swept the world at low prices, but their product quality and delivery is unstable, and high failure rate are unfavorable factors in the market competition. Thus, the company has been adhering to the marketing philosophy of maintaining product quality, stable delivery, and marketing own branding, despite the sluggishness of the market, we have built a good brand reputation in the international market. As the anti-dumping discussion speaks out in the global international market, the situation where the price focus but no quality situation is now reversed. More and more users find that only the products with stable quality, reasonable price and meet the needs of consumers are the way to survive forever. Looking at the Southeast Asia manufacturers, as in terms of quality, delivery, R & D, and production technology, scale conditions, only King Slide can compete with European and American manufacturers using low procurement cost



but better quality and function product to compete with European and American competitors. King Slide as the best choice for customers on this favorable basis and with the recovery of the economy, we believe that we have better competitive advantage in market of slide rail and hinges in the future.

3. Advantages or Disadvantages of future development factors, and the Countermeasures to such factors

(1) Advantage factors

① Rail kits market:

The company has passed the certification of its products by IBM, HP, ORACLE, Fujitsu-Siemens, DELL international server manufacturers, and directly obtained the product requirements of its R&D department in line with its new products. At the same time in line with the latest consumer demand products development will be the advantage factor to marketing products into the system foundries, network communication plants, rack cabinet factories, and distributors, which further open the door for us to also promote other 3C institutional products into more international vendors.

② Slide rails and hinges market

In recent years, in order to reduce costs, the international renowned furniture vendors and cabinet manufacturers have turned to Southeast Asia countries to seek cooperation with cooperative factories or strategic alliances. Their appeals focus are on the economies of the manufacturers, product types, rapid delivery, research and development capabilities, stable quality, and reasonable price. The company's current economic scale, solid technical team, excellent product development and automation equipment development capabilities, stable quality, and fast delivery capabilities are not only praised in the domestic market but also in the international market. In the traditional market, King Slide has been listed as one of the world's top four major brands in the United States, which also allows the large manufacturers to confidently transfer orders and new product development to the company, especially in the past two years transition is more significantly. Customer base covers the top United States Large furniture factory, cabinet factory, steel cabinet factory and Japan's second largest DIY furniture factory, the second largest furniture factory, the focus of the future in addition to the development of its own brand new products. In the future, besides developing new products with our own branding, development in customized product according to customer's need will play an important advantage factor in future development.

The company's products are currently the mainstream series of products in the industry, and will actively deploy international marketing bases in the future. With the existing competitive advantages, the future growth in the customized or channel market can be expected.

(2) Disadvantages

The estimate increase of material prices will cause increase of cost.

(3) Countermeasures

- ① Increase automation to reduce labor and manufacturing costs and outsource low value-added products in response to cost increases issues.
- ② Accelerate the development of new markets, enhance the technical capabilities of after-sales services, select a favorable product mix and customer base, especially choosing the R&D customized and electronic products as the main direction for the future to increase the operating base, and reduce the expense ratio as well slow down the disadvantage of materials cost increases.

## (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) Main raw 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				2019				1Q 2020			
	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 1 <sup>st</sup> quarter (%)	Relation with the Company
1	China Steel	607,010	44.94	None	China Steel	627,619	44.08	None	China Steel	154,012	42.22	None
	Others	743,706	55.06		Others	796,192	55.92		Others	210,769	57.78	
	Purchase amount	1,350,716	100.00		Purchase amount	1,423,811	100.00		Purchase amount	364,781	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				2019				1Q 2020			
	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 1 <sup>st</sup> quarter (%)	Relation with the Company
1	Customer A	641,514	14.46	None	Customer A	789,956	16.23	None	Customer A	237,891	20.49	None
2	Customer B	422,917	9.54	None	Customer B	516,221	10.60	None	Customer B	94,893	8.17	None
	Others	3,371,176	76.00		Others	3,562,630	73.17		Others	828,336	71.34	
	Net sales	4,435,607	100.00		Net sales	4,868,807	100.00		Net sales	1,161,120	100.00	

Change analysis: Customer A is the designated manufacturer 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. Customer B is a brand manufacturer combining existing customers. The increase in sales is due to the increase in existing brand projects.

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

Unit: Rail kit and slide in thousand sets; hinges in thousand pieces/ NT\$ thousand

Main products \ Year	2018 Year			2019 Year		
	Capacity	Production volume	Production value	Capacity	Production volume	Production value
rail kits	19,020	12,613	1,942,847	19,110	12,706	2,062,395
Slide rails	4,224	982	26,074	4,224	668	18,925
Hinges	1,920	1,068	39,110	1,920	1,207	44,732
Other	—	—	61,439	—	—	54,274
Total			2,069,470			2,180,326

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

Unit: NT\$ thousands

Main products \ Year	Unit	2018				2019			
		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	3,475	1,218,173	9,189	3,416,325
Slide rails	thousand sets	262	9,567	1,561	36,755	135	5,701	714	21,941
Hinges	thousand units	3,380	116,655	196	10,278	3,271	119,550	477	16,483
Other		—	7,611	—	59,669	—	13,298	—	57,336
Total			1,145,461		3,290,146		1,356,722		3,512,085

### III. Human resource

Unit: one person; %

Year		2018	2019	As of March 31, 2020
Number of employees	Direct labor	740	802	771
	Indirect labor	334	330	334
	Total	1,074 (Note 1)	1,132 (Note 2)	1,105 (Note 3)
Average age		33.6	34.3	35.3
Average service years		6.01	6.33	6.58
Average education %	Ph.D	0.09%	0.09%	0.09%
	Master	6.15%	5.48%	5.61%
	College	39.76%	41.78%	42.17%
	High school or below	54.00%	52.65%	52.13%
	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: 306 people.

Note3: The figures above do not include the contracted workers: 204 people.

### IV. Disbursements for environmental protection

(I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None.

(II) Countermeasures:

1. Future countermeasures and improvement plans:

- (1) Wastewater discharge: The Company analyzes and monitors the quality of wastewater on a daily basis to ensure that the wastewater treatment system operates normally to meet the effluent standards.
- (2) Air pollution Air pollution control: The Company has obtained permits for the installation and operation of stationary pollution sources.
- (3) Waste disposal: The Company's waste disposal plan has been approved by the Environmental Protection Bureau and the qualified waste brokers are commissioned to clean, transport , and dispose of the waste produced.

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

December 31, 2019; 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	16,361	231	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	—	Exhaust gas (HCL) treatment for regulation compliance
Filled scrubber	1	12/25/2006	2,295	—	Wastewater quality equalization
Equalization tank	1	03/07/2007	550	—	Sludge treatment
Plant and frame filter press	1	07/10/2007	250	—	Sludge treatment
Condensing sludge dryer	1	07/18/2008	2,923	358	Efficiency improvement for water recycling
RO-1-2 set	1	04/20/2015	2,736	1,497	(1) Adjusting wastewater quality to reach the stability of wastewater treatment (2) Acquiring the tentative storage tank for emergency
Wastewater mixing tank	1	08/08/2015	4,427	3,205	Enhancing wastewater treatment capacity and the satiability of COD removal for regulation compliance
Wastewater treatment accomplishing (facility expansion)	1	08/21/2015	4,550	2,317	Efficiency improvement for water recycling
Fiber filters	2	09/01/2016	1,680	1,058	Water quality testing
Spectrophotometers	1	06/11/2018	140	85	Sludge volume reducing
Condensing sludge dryer	1	03/24/2019	2,950	2,677	

## 3. Possible expenditure

Unit: NT\$ thousands

Types	Subtotal	Total
Raw water and effluent testing fees (twice a year)	40	814
General industrial waste (Once a year)	8	
Hazardous industrial waste testing (twice a year)	16	
Replacement of RO membrane	750	

## **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 extra cash gift or voucher on labor's day, Dragon Boat Festival, Mid-Autumn festival, and employee's birthday to all employees, and hosts year-end banquet, company outing, and office party 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) Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: 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
Construction	Verizon Construction Co., Ltd.	Start from Mar. 18, 2020 to the expiration date of the construction warranty.	Construction of No. 2 Plant of King Slide Technology Co., Ltd.	None

## Six. Financial overview

## I. Five-year financial summary

## (I) 1. Condensed Balance Sheet, Consolidated

		Unit: NT\$ thousands					
<div> <div>Year</div> <div>Item</div> </div>		Financial information from 2015~2019 (Note 2)					As of Financial information, as of March 31, 2020 (Note 3)
		2019	2018	2017	2016	2015	
Current Assets		10,435,103	9,615,249	8,259,584	8,389,302	7,734,240	10,858,770
Property, Plant and Equipment		1,368,900	1,353,349	1,425,528	1,389,866	1,430,366	1,529,401
Right-of-use Assets		670,105	-	-	-	-	689,887
Intangible Assets		3,090	269	1,274	2,847	3,490	3,055
Other Assets		236,619	237,788	199,653	137,074	77,639	56,347
Total Assets		12,713,817	11,206,655	9,886,039	9,919,089	9,245,735	13,137,460
Current Liabilities	Before distribution	1,258,474	1,038,010	1,018,422	1,127,772	1,015,702	1,210,816
	After Distribution (Note 1)	Before Distribution	1,943,332	1,494,907	1,913,973	1,978,202	Before Distribution
Noncurrent Liabilities		734,806	94,094	88,292	131,313	161,211	749,352
Total Liabilities	Before distribution	1,993,280	1,132,104	1,106,714	1,259,085	1,176,913	1,960,168
	After Distribution (Note 1)	Before Distribution	2,037,426	1,583,199	2,045,286	2,139,413	Before Distribution
Equity Attributable to Shareholders of the Parent		10,720,537	10,074,551	8,779,325	8,660,004	8,068,822	11,177,292
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	8,978,545	8,329,138	7,032,605	6,910,881	6,308,623	9,436,096
	After Distribution (Note 1)	Before Distribution	7,423,816	6,556,120	6,124,680	5,346,123	Before Distribution
Other Equity		( 7,670)	( 4,249)	( 2,942)	( 539)	10,537	( 8,466)
Treasury Stock		-	-	-	-	-	-
Noncontrolling Interests		-	-	-	-	-	-
Total Equity	Before distribution	10,720,537	10,074,551	8,779,325	8,660,004	8,068,822	11,177,292
	After Distribution (Note 1)	Before Distribution	9,169,229	8,302,840	7,873,803	7,106,322	Before Distribution

Note 1: Based the resolutions from the shareholders' meetings next following years. 2019 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, 2020 are reviewed by the external auditors

## 2. Condensed Balance Sheet, Unconsolidated

Unit: NT\$ thousands

Year Item		Financial information from 2015~2019 (Note 2)					As of Financial information, as of March 31, 2020 (Note 3)
		2019	2018	2017	2016	2015	
Current Assets		3,513,509	3,951,935	3,824,862	4,397,492	4,249,075	-
Investment using equity method		7,379,944	6,301,925	5,116,739	4,554,765	4,069,722	-
Property, Plant and Equipment		373,866	375,915	383,808	388,689	384,112	-
Intangible Assets		2,654	-	278	597	1,311	-
Other Assets		77,141	61,279	65,888	41,085	43,217	-
Total Assets		11,347,114	10,691,054	9,391,575	9,382,628	8,747,437	-
Current Liabilities	Before distribution	536,145	528,162	523,958	611,511	551,219	-
	After Distribution (Note 1)	Before Distribution	1,433,484	1,000,443	1,397,712	1,513,719	-
Noncurrent Liabilities		90,432	88,341	88,292	111,113	127,396	-
Total Liabilities	Before distribution	626,577	616,503	612,250	722,624	678,615	-
	After Distribution (Note 1)	Before Distribution	1,521,825	1,088,735	1,508,825	1,641,115	-
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	8,978,545	8,329,138	7,032,605	6,910,881	6,308,623	-
	After Distribution (Note 1)	Before Distribution	7,423,816	6,556,120	6,124,680	5,346,123	-
Other Equity		( 7,670)	( 4,249)	( 2,942)	( 539)	10,537	-
Total Equity	Before distribution	10,720,537	10,074,551	8,779,325	8,660,004	8,068,822	-
	After Distribution (Note 1)	Before Distribution	9,169,229	8,302,840	7,873,803	7,106,322	-

Note 1: Based the resolutions from the shareholders' meetings next following years. 2019 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, 2020. No applicable data available for the table.

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

Unit: NT\$ thousands

Item \ Year	Financial information from 2015~2019 (Note 1)					Financial information, as of March 31, 2020 (Note2)
	2019	2018	2017	2016	2015	
Operating Revenue	4,868,807	4,435,607	4,110,572	4,466,110	4,498,347	1,161,120
Gross Profit	2,616,957	2,326,612	2,192,307	2,550,860	2,583,335	625,431
Profit from Operations	2,015,151	1,738,196	1,665,077	2,024,747	2,023,512	466,011
Non-Operating Income and Expenses	9,502	433,682	( 441,247)	( 51,430)	354,736	105,927
Profit Before Income Tax	2,024,653	2,171,878	1,223,830	1,973,317	2,378,248	571,938
Net Profit for the Year	1,558,250	1,775,964	908,700	1,571,791	1,922,962	457,551
Loss from Discontinuing Operation	-	-	-	-	-	-
Net Profit for the Year	1,558,250	1,775,964	908,700	1,571,791	1,922,962	457,551
Other Comprehensive Loss for the Year, Net of Income Tax	( 6,942)	( 4,253)	( 3,178)	( 18,109)	( 4,659)	( 796)
Total Comprehensive Income for the Year	1,551,308	1,771,711	905,522	1,553,682	1,918,303	456,755
Net Profit Attributable to Owner of the Company	1,558,250	1,775,964	908,700	1,571,791	1,922,962	457,551
Net Profit Attributable to Noncontrolling Interests	-	-	-	-	-	-
Total Comprehensive Income Attributable to Owner of the Company	1,551,308	1,771,711	905,522	1,553,682	1,918,303	456,755
Total Comprehensive Income Attributable to Noncontrolling Interests	-	-	-	-	-	-
Earnings Per Share (NT\$)	16.35	18.64	9.54	16.49	20.18	4.80

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

Note 2: Financial statements of ended March 31, 2020 are reviewed by the external auditors

## 2. Condensed Statement of Comprehensive Income, Unconsolidated

Unit: NT\$ thousands

Item \ Year	Financial information from 2015~2019 (Note 1)					Financial information, as of March 31, 2019 (Note2)
	2019	2018	2017	2016	2015	
Operating Revenue	1,981,482	1,932,513	1,995,243	2,210,327	2,304,100	-
Gross Profit	698,596	662,743	751,573	949,906	1,027,714	-
Profit from Operations	403,392	369,433	491,971	678,469	763,668	-
Non-Operating Income and Expenses	1,273,745	1,549,969	540,435	1,089,097	1,403,811	-
Profit Before Income Tax	1,677,137	1,919,402	1,032,406	1,767,566	2,167,479	-
Net Profit for the Year	1,558,250	1,775,964	908,700	1,571,791	1,922,962	-
Loss from Discontinuing Operation	-	-	-	-	-	-
Net Profit for the Year	1,558,250	1,775,964	908,700	1,571,791	1,922,962	-
Other Comprehensive Loss for the Year, Net of Income Tax	( 6,942)	( 4,253)	( 3,178)	( 18,109)	( 4,659)	-
Total Comprehensive Income for the Year	1,551,308	1,771,711	905,522	1,553,682	1,918,303	-
Earnings Per Share (NT\$)	16.35	18.64	9.54	16.49	20.18	-

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, 2020.

No applicable data available for the table.

(III) Auditors' opinions from 2015 to 2019

Year	Accounting Firm	CPA	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
2019	Deloitte & Touche	Chen Jhen-Li and Kuo Lee-Yuan	An Unmodified Opinion for the Parent and An Unmodified Opinion with Emphasis of Matter Paragraph for the Consolidated

## II Financial Analysis from 2015 to 2019:

### (I) 1. Consolidated

Analysis Item \ Year		Financial Analysis from 2015 to 2019(Note 1)					Financial information, as of March 31, 2020 (Note 2)
		2019	2018	2017	2016	2015	
Financial Structure (%)	Ratio of liabilities to assets	15.67	10.10	11.19	12.69	12.72	14.92
	Long-term Fund to Property, Plant and Equipment	836.82	751.36	622.05	632.53	575.38	779.82
Solvency	Current Ratio (%)	829.18	926.31	811.01	743.88	761.46	896.81
	Quick Ratio (%)	790.27	878.67	766.23	713.94	726.70	852.53
	Times Interest Earned (Times)	179.17	N/A	N/A	N/A	36,589.43	199.38
Operating Performance	Receivables Turnover (Times)	4.47	4.42	3.97	4.19	4.34	4.17
	Days Sales Outstanding (Days)	82	83	92	87	84	88
	Inventory Turnover (Times)	4.84	4.70	5.11	5.87	5.31	4.37
	Payables Turnover (Times)	6.78	6.68	6.00	6.73	7.28	6.03
	Days Inventory (Days)	75	78	71	62	69	84
	Property, Plant and Equipment Turnover (Times)	3.55	3.27	2.88	3.21	3.14	3.03
	Total Assets Turnover (Times)	0.38	0.39	0.41	0.45	0.48	0.35
Profitability	Return on Total Assets (%)	13.10	16.84	9.17	16.40	21.77	14.23
	Return on Total Equity (%)	14.98	18.83	10.42	18.79	25.50	16.71
	Pre-tax Income to Paid-in Capital Ratio (%)	212.45	227.90	128.42	207.07	249.56	240.06
	Net Margin (%)	32.00	40.03	22.10	35.19	42.74	39.40
	Earnings Per Share (NT\$)	16.35	18.64	9.54	16.49	20.18	4.80
Cash Flow	Cash Flow Ratio (%)	143.92	176.97	86.72	150.95	220.10	148.06
	Cash Flow Adequacy Ratio (%)	174.81	185.20	185.01	206.69	211.04	167.27
	Cash Flow Reinvestment Ratio (%)	7.26	11.62	0.93	7.27	14.42	3.41
Leverage	Operating Leverage	1.20	1.23	1.21	1.17	1.16	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.	The increase in ratio of liabilities to assets was accounted by the increase in right-of-use assets by NT\$670,105 thousand and in lease liabilities by NT\$675,287 thousand recognized in accordance with IFRS 16 adopted on January 1, 2019.					
2.	The increase of times interest earned was contributed by the same reason above led to the interest expense of lease liabilities.					
3.	Profitability (return on total assets, return on total equity, and net margin ) decreased mainly due to the adverse exchange rate appreciation of NT\$434,067 thousand caused by a loss of NT\$198,978 thousand the Company incurred in 2019 compared to the gain of NT\$235,089 thousand in 2018.					
4.	Lower cash flow reinvestment ratio was due to the increase in cash dividend payment by NT\$ 428,837 thousand in 2019 compared to those in 2018.					

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

Note 2: Financial statements of ended March 31, 2020 are reviewed by the external auditors

## 2. Financial Analysis from 2015 to 2019, Unconsolidated

Analysis Item		Financial Analysis from 2015 to 2019(Note 1)					Financial information, as of March 31, 2020 (Note 2)
		2019	2018	2017	2016	2015	
Financial Structure (%)	Ratio of liability to Assets	5.52	5.76	6.51	7.70	7.75	-
	Long-term Fund to Property, Plant and Equipment	2,891.66	2,703.50	2,310.43	2,256.59	2,133.80	-
Solvency	Current Ratio (%)	655.32	748.24	729.99	719.11	770.85	-
	Quick Ratio (%)	621.16	708.96	691.32	692.63	743.12	-
	Times Interest Earned (Times)	N/A	N/A	N/A	N/A	N/A	-
Operating Performance	Receivables Turnover (Times)	4.61	4.36	4.37	4.64	4.10	-
	Days Sales Outstanding (Days)	79	84	84	79	89	-
	Inventory Turnover (Times)	7.35	6.93	7.62	9.00	8.37	-
	Payables Turnover (Times)	7.16	7.09	6.53	6.86	7.31	-
	Days Inventory (Days)	50	53	48	41	44	-
	Property, Plant and Equipment Turnover (Times)	5.30	5.14	5.19	5.68	5.99	-
	Total Assets Turnover (Times)	0.17	0.18	0.21	0.23	0.26	-
Profitability	Return on Total Assets (%)	14.14	17.68	9.68	17.33	23.47	-
	Return on Total Equity (%)	14.98	18.83	10.42	18.79	25.50	-
	Pre-tax Income to Paid-in Capital Ratio (%)	175.99	201.41	108.33	185.48	227.44	-
	Net Margin (%)	78.64	91.89	45.54	71.11	83.45	-

	Earnings Per Share (NT\$)	16.35	18.64	9.54	16.49	20.18	-
Cash Flow	Cash Flow Ratio (%)	106.44	122.16	38.95	192.06	314.19	-
	Cash Flow Adequacy Ratio (%)	102.85	130.33	136.08	167.65	170.81	-
	Cash Flow Reinvestment Ratio (%)	-2.85	1.52	-5.96	2.19	9.66	-
Leverage	Operating Leverage	1.49	1.53	1.35	1.26	1.21	-
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	-
<p>Analysis of differences for the last two years</p> <p>1. Probability (return on total assets and return on total equity) decreased mainly due to the decrease in net profit by NT\$217,714 thousand caused by the appreciation of exchange rate in 2019 than in 2018.</p> <p>2. Lower cash flow adequacy ratio and cash flow reinvestment ratio was due to the decrease in the cash flow from operating activities by NT\$ 74,539 thousand and the increase in cash dividend payment by NT\$ 428,837 thousand in 2019 compared to those in 2018.</p>							

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, 2020.  
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 profit + interest expenses \* (1 - effective tax rate)] / average total assets

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

(3) Net margin = net profit / net sales

(4) Earnings per share = (net profit 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 126 in this annual report.

**IV. Financial statement for the most recent fiscal year:** Please refer to Page 127 to Page 179 in this annual report.

**V. Certified financial statement for the most recent fiscal year:** Please refer to Page 180 to Page 227 in this annual report.

**VI. Financial difficulties experienced by the Company and its subsidiaries during the most recent 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	2019end	2018end	Change	
			Amount	%
Current Assets	\$ 10,435,103	\$ 9,615,249	\$ 819,854	8.53
Property, Plant and Equipment	1,368,900	1,353,349	15,551	1.15
Right-of-use Assets	670,105	-	670,105	∞
Intangible Assets	3,090	269	2,821	1,048.70
Other Assets	236,619	237,788	( 1,169 )	( 0.49 )
<b>Total Assets</b>	12,713,817	11,206,655	1,507,162	13.45
Current Liabilities	1,258,474	1,038,010	220,464	21.24
Noncurrent Liabilities	734,806	94,094	640,712	680.93
<b>Total Liabilities</b>	1,993,280	1,132,104	861,176	76.07
Equity Attributable to Shareholders of the Parent	10,720,537	10,074,551	645,986	6.41
Capital Stock	952,971	952,971	-	-
Capital Surplus	796,691	796,691	-	-
Retained Earnings	8,978,545	8,329,138	649,407	7.80
Other Equity	( 7,670 )	( 4,249 )	( 3,421 )	( 80.51 )
Treasury Stock	-	-	-	-
Noncontrolling Interests	-	-	-	-
<b>Total of Equity</b>	10,720,537	10,074,551	645,986	6.41

1. Analysis:

- (1) Right-of-use assets increased mainly due to the first adoption of IFRS 16 lease on January 1, 2019.
- (2) Other intangible assets increased mainly due to the expenditure of NT\$4,035 thousand on computer software in 2019.
- (3) Current liabilities increased mainly due to the increase in current tax liabilities by NT\$102,923 thousand than the end of 2018.
- (4) The increase in noncurrent liabilities was contributed by the same reason as (1) above led to the lease liabilities of NT\$644,374 thousand by the end of 2019.
- (5) 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

Item \ Year	2019		2018		Change	Change % (%)
	Sub-total	Total	Sub-total	Total		
Net revenue		\$4,868,807		\$4,435,607	\$ 433,200	9.77
Operating cost		<u>2,251,850</u>		<u>2,108,995</u>	<u>142,855</u>	6.77
Gross Profit		2,616,957		2,326,612	290,345	12.48
Operating expenses		<u>601,806</u>		<u>588,416</u>	<u>13,390</u>	2.28
Operation income		2,015,151		1,738,196	276,955	15.93
Non-Operating Income and Expenses						
Interest income	\$ 170,739		\$ 141,008			
Other gains and losses	( 149,874)		292,674			
Financial cost	( 11,363)	<u>9,502</u>	-	<u>433,682</u>	<u>( 424,180)</u>	( 97.81)
Income Before Income Tax		2,024,653		2,171,878	( 147,225)	( 6.78)
Income tax expense		<u>466,403</u>		<u>395,914</u>	<u>70,489</u>	17.80
Net profit		<u>\$ 1,558,250</u>		<u>\$ 1,775,964</u>	<u>\$( 217,714)</u>	( 12.26)
Explanation:						
1. Change analysis						
Decreases in non-operation revenue, income before tax, and net profit were due to the adverse exchange rate appreciation of NT\$ 434,067 thousand caused by an exchange gains of NT\$ 235,089 thousand in 2018 and an exchange loss of NT\$ 198,978 thousand in 2019.						
2. Based on the past business records, current orders and future market trend, shipment for 2019 are estimated as follows: Rail kits: 15,421 thousand sets; slide rails: 1,104 thousand sets and hinges 3,662 thousand units.						
3. Countermeasure: None.						

## III. Analysis of cash flow

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

Item \ Year	2019	2018	Change % (%)
Cash flow ratio	143.92	176.97	( 18.68)
Cash flow adequacy ratio	174.81	185.20	( 5.61)
Cash re-investment ratio	7.26	11.62	( 37.52)

Explanation:
1. Change analysis
(1) The decline in cash flow ratio was mainly due to the increase in current liabilities by NT\$220,464 thousand in 2019.
(2) No analysis in cash flow adequacy ratio for its insignificant change
(3) Cash re-investment ratio decreased mainly due to the increase in cash dividend payment by NT\$428,837 thousand in 2019.
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
\$8,789,207	\$2,311,768	\$2,760,952	\$8,340,023	\$ -	\$ -
1. Cash flow analysis:					
(1) Net cash inflow from operation activities: Mainly due to the expected positive operating result in 2020.					
(2) Net cash outflow from investment activities: Mainly due to expenditures for property, plant and facilities in 2020.					
(3) Net cash outflow from financial activities: Mainly due to cash dividend distribution in 2020.					
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:**

In order to reduce the production and operating costs of the new series of European style premium kitchen slides which has been long developed by the King Slide Technology Co., Ltd. and has begun to be shipped in 2019, the Intelligent No. 2 Plant of King Slide Technology Co., Ltd., located in Southern Taiwan Science Park - Kaohsiung Park, has been scheduled to commence construction in 2020, expected to be completed by the end of 2011, and will be put into operation in 2022. The total amount of funds required is expected to be approximately NT\$ 2 billion, with the source of self-owned funds and “Stay-in-Taiwan Preferential Loans”.



**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. The investment gains using the equity method recognized from the subsidiary was NT\$ 232 thousand in 2019.
2. Investment gains using the equity method recognized from King Slide Technology Co., Ltd. in 2019 reached NT\$ 1,254,751 thousand, which indicated increasing investment benefits.

(III) Improvement plan: Not applicable

(IV) Investment plans for the coming year: None.

## 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	Q1,2020	As a percentage of income before tax	2019	As a percentage of income before tax	2018	As a percentage of income before tax
Interest expense	( 2,883)	( 0.50%)	( 11,363)	( 0.56%)	-	0.00%
Net exchange gain	66,830	11.68%	( 198,978)	( 9.83%)	235,089	10.82%

(1) There was no interest expense incurred in 2018. The initial adoption of IFRS 16 Leases on January 1, 2019 led to the interest expense of lease liabilities of NT\$ 11,363 thousand and NT\$2,883 thousand, or -0.56% and -0.50% of income, for 2019 and the first quarter of 2020, with no significant influence on the Company's profitability.

(2) Net foreign exchange gains and losses accounted for profit before income tax by 10.82%, -9.83%, and 11.68% of 2018, 2019, and Q1 of 2020 respectively. The Company has made sales abroad by 72% of total, and which makes the Company sensitive to the exchange rate fluctuation. During the year of 2018, the Company had a gain of NT\$235,089 thousand due to the exchange rate depreciation, accounted for the profit before the income tax by 10.82% of the year. The Company incurred a loss of NT\$198,978 thousand resulted from the exchange rate appreciation in the subsequent year 2019, and had a gain of NT\$66,830 thousand because of an opposite direction of the exchange rate again in Q1 of 2020. To respond to the changing global economy and more significant exchange rate fluctuation, the Company has increased foreign purchase to hedge exposure to foreign exchange risks instead of using derivative financial instruments. Despite the volatility of exchange gains or losses in the short run, the innovation and evolution of our products shall keep the business performance improving and be limitedly influenced by the exchange rate fluctuation.

### 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) Future research and development, and estimate expenditures for research and development:

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 and countermeasures to the changes in domestic, international policies, and regulations relating to corporate financials and sales:

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

(V) Effects and countermeasures to the changes in technology and industry relating to financials 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 have 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:

As the designated manufacturer and trading hub for multiple major international server suppliers, the shipments to customer A accounted for more than 10% of the Company's net operation revenue in the most recent 2 fiscal years. Customer B is a brand manufacturer with a large number of consumers, and its brand extension contributed 10.6% of the Company's net operation revenue in 2019. Given the concentration of the sales resulted from the industrial business model, 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 Important Matters:** None.

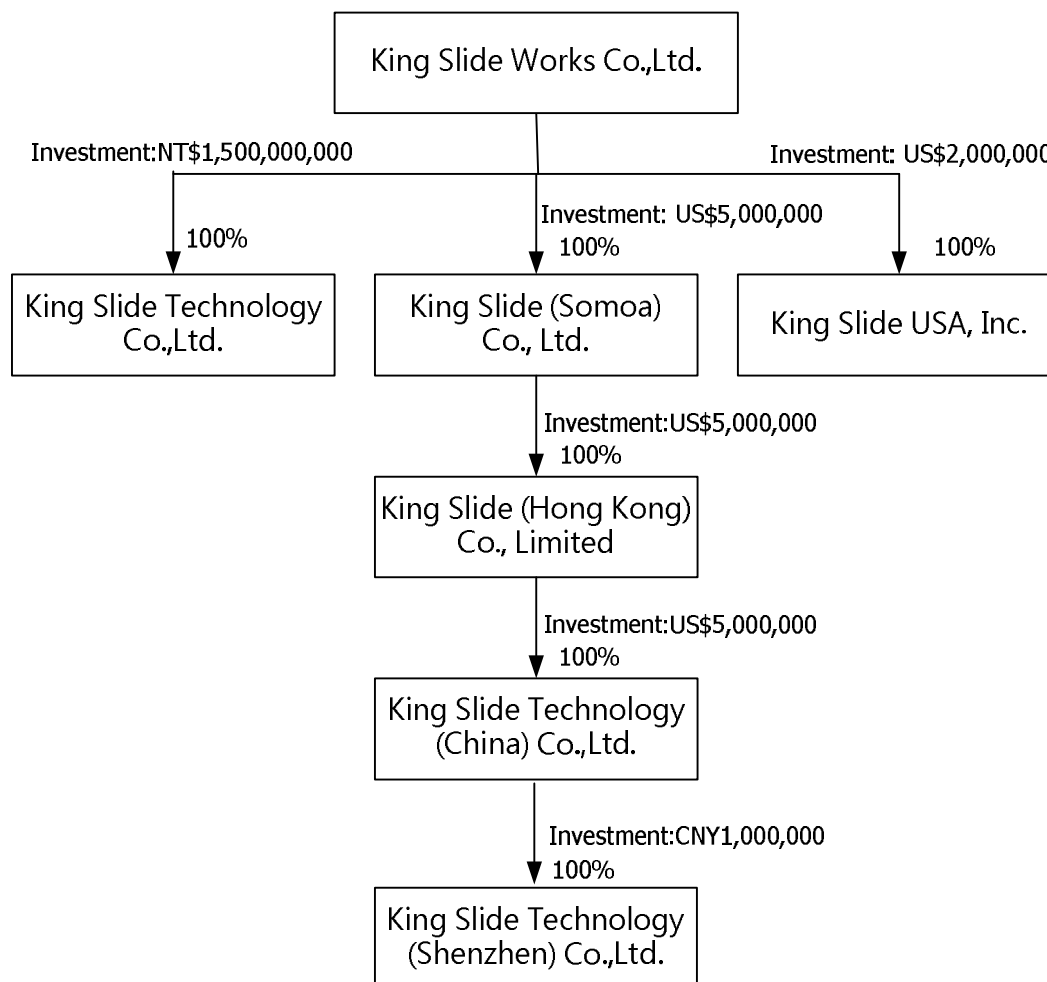
## **Eight: Other Special Notes**

### **I. Subsidiary Companies:**

#### **(I) Consolidated business report of subsidiaries**

##### **1. Subsidiaries Chart:**

March 31 ,2020



2. General information of subsidiaries:

March 31, 2020

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	Trade of rail kits, slides and accessories
King Slide Technology Co., Ltd.	01/08/2007	No. 6, Luke 9th Rd., Luzhu Dist., Kaohsiung City 821, Taiwan	NT\$ 1,126,000,000	Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.
King Slide (Samoa) Co., Ltd.	02/01/2008	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 1225, APIA, SAMOA	US\$ 5,000,000	International investment
King Slide (Hong Kong) Co., Limited	03/05/2008	Rm.2401,24/F.,101King's Road, Fortress Hill, H.K.	US\$ 5,000,000	International 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	Wholesale and provide related services for rail kits, slides and accessories
King Slide Technology (Shenzhen) Co., Ltd.	07/23/2019	Room 1046, West, 1st Floor, Building A, Tengfei Industry Mansion, No. 6, Taohua Rd., Fubao Community, Fubao St., Futian District, Shenzhen City, Guangdong Province, China	CNY 1,000,000	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.

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	Lin Tsung-Chi	—	—
	Director	Lin Shu-Hui	—	—
	Director	Lin Shu-Chen	—	—
	Supervisor	Zheng Yu-Ba	—	—
	General manager	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	—	—
King Slide Technology (Shenzhen) Co.,Ltd.	Executive director and manager	Wang Chun Chiang	—	—

## 6. Operational Highlights from Subsidiaries:

December 31, 2019 (Unit: 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.	Trade of rail kits, slides and accessories	62,019	39,681	200	100%	39,681	Note 1	Equity method	( 2,267)	—	—
King Slide Technology Co., Ltd.	Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.	1,500,000	7,222,849	112,600	100%	7,222,849	Note 1	Equity method	1,254,751	200,000	—
King Slide (Samoa) Co., Ltd.	International investment	158,122	117,414	5,000	100%	117,414	Note 1	Equity method	232	—	—
King Slide (Hong Kong) Co., Limited	International investment	158,122	117,414	5,000	100%	117,414	Note 1	Equity method	232	—	—
King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	157,282	117,414	-	100%	117,414	Note 1	Equity method	232	—	—
King Slide Technology (Shenzhen) Co., Ltd.	Note 2	4,306	4,302	-	100%	4,302	Note 1	Equity method	( 4)	—	—

Note 1: Not applicable to not-listed entities

Note 2: Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.

(II) Consolidated Financial Statements of the Subsidiaries: Please refer to Page 127 in this annual report.

(III) Subsidiaries Report: Please refer to Page 127 in this annual report.

**II. Private placement of securities during the most recent fiscal year and the current fiscal 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 fiscal 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 fiscal 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 26, 2020

We have conducted the self-assessment of the internal controls for the year of 2019, 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, 2019, 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 26, 2020, with none of the seven 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 2019 individual financial statements, consolidated financial statements, business report, and earnings distribution proposal. The 2019 financial statements and consolidated financial statements were audited by CPA Jhen-Li Chen and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan with an unmodified opinion for the Parent and an unmodified opinion with emphasis of matter paragraph for the consolidated 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 2020 Annual Meeting of Shareholders

King Slide Works Co., Ltd.

Supervisor: Yin Li Investment Inc.

Representative: Lin, Jhang A-Jhu

Wu Ming-Jen

February 26, 2020

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

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, 2019, 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 26, 2020

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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.

### **Emphasis of Matter**

As disclosed in Note 3 to the consolidated financial statements, the Company and its subsidiaries have applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

### **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, 2019. 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.

The key audit matters identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### Recoverability of accounts receivable

As of December 31, 2019, the net amount of accounts receivable of the Company and its subsidiaries was NT\$1,079,725 thousand, representing 9% of the Company and its subsidiaries' total assets. Management estimated the recoverability of accounts receivable based on the IFRS and considered the customers' past default records and their current financial position to estimate the allowance for impairment loss. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of internal control activities relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We examined the existence of the accounts receivable, which included samples of letter confirmation, collection records after the balance sheets date, and the verification of goods receipts by customers or shipping records.
2. We 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 and also 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, 2019 and 2018 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, 2019 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 Chen-Li Chen and Lee-Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

Notice to Readers

*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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,789,207	69	\$ 8,042,135	72
Notes receivable (Notes 4, 7 and 17)	47,743	-	45,006	1
Accounts receivable, net (Notes 4, 5, 7 and 17)	1,079,725	9	1,005,838	9
Other receivables	14,590	-	17,914	-
Inventories (Notes 4 and 8)	464,684	4	466,015	4
Other current assets	39,154	-	38,341	-
Total current assets	10,435,103	82	9,615,249	86
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 10 and 24)	1,368,900	11	1,353,349	12
Right-of-use assets (Notes 3, 4 and 11)	670,105	5	-	-
Other intangible assets (Note 4)	3,090	-	269	-
Deferred tax assets (Notes 4 and 19)	69,760	1	32,797	-
Prepayments for equipment	166,463	1	204,590	2
Refundable deposits	396	-	401	-
Total non-current assets	2,278,714	18	1,591,406	14
<b>TOTAL</b>	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable (Note 12)	\$ 251,012	2	\$ 239,089	2
Accounts payable (Note 12)	100,013	1	73,254	1
Other payables (Note 13)	482,870	4	439,882	4
Current tax liabilities (Notes 4 and 19)	355,704	3	252,781	2
Lease liabilities - current (Notes 3, 4 and 11)	30,913	-	-	-
Refund liability - current (Note 14)	17,901	-	18,243	-
Other current liabilities	20,061	-	14,761	-
Total current liabilities	1,258,474	10	1,038,010	9
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 19)	48,431	1	54,679	1
Lease liabilities - non-current (Notes 3, 4 and 11)	644,374	5	-	-
Net defined benefit liabilities (Notes 4 and 15)	42,001	-	39,415	-
Total non-current liabilities	734,806	6	94,094	1
Total liabilities	1,993,280	16	1,132,104	10
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)</b>				
Ordinary shares	952,971	7	952,971	9
Capital surplus	796,691	6	796,691	7
Retained earnings				
Legal reserve	1,163,619	9	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	7,808,705	62	7,336,894	65
Total retained earnings	8,978,545	71	8,329,138	74
Other equity				
Exchange differences on translating the financial statements of foreign operations	(7,670)	-	(4,249)	-
Total equity	10,720,537	84	10,074,551	90
<b>TOTAL</b>	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 14 and 17)	\$ 4,868,807	100	\$ 4,435,607	100
OPERATING COSTS (Notes 8 and 18)	<u>2,251,850</u>	<u>46</u>	<u>2,108,995</u>	<u>48</u>
GROSS PROFIT	<u>2,616,957</u>	<u>54</u>	<u>2,326,612</u>	<u>52</u>
OPERATING EXPENSES (Notes 7 and 18)				
Selling and marketing	185,139	4	182,007	4
General and administrative	188,643	4	194,708	4
Research and development	231,418	4	206,605	5
Expected credit loss (gain)	<u>(3,394)</u>	<u>-</u>	<u>5,096</u>	<u>-</u>
Total operating expenses	<u>601,806</u>	<u>12</u>	<u>588,416</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>2,015,151</u>	<u>42</u>	<u>1,738,196</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Interest income	170,739	3	141,008	3
Other gains and losses	(149,874)	(3)	292,674	7
Finance costs	<u>(11,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>9,502</u>	<u>-</u>	<u>433,682</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,024,653	42	2,171,878	49
INCOME TAX (Notes 4 and 19)	<u>466,403</u>	<u>10</u>	<u>395,914</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>32</u>	<u>1,775,964</u>	<u>40</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 15, 16 and 19)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,401)	-	(4,632)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>880</u>	<u>-</u>	<u>1,686</u>	<u>-</u>
	<u>(3,521)</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(4,276)	-	(1,766)	-

(Continued)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ 855 <u>(3,421)</u>	- -	\$ 459 <u>(1,307)</u>	- -
Other comprehensive loss for the year, net of income tax	<u>(6,942)</u>	-	<u>(4,253)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,551,308</u>	<u>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
NET PROFIT ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,558,250</u>	<u>32</u>	<u>\$ 1,775,964</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,551,308</u>	<u>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 16.35</u>		<u>\$ 18.64</u>	
Diluted	<u>\$ 16.32</u>		<u>\$ 18.59</u>	

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

(Concluded)

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2018	\$ 952,971	\$ 796,691	\$ 986,023	\$ 6,221	\$ 6,040,361	\$ (2,942)	\$ 8,779,325
Appropriation of 2017 earnings (Note 16)							
Cash dividends distributed by the Company	-	-	-	-	(476,485)	-	(476,485)
Net profit for the year ended December 31, 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE AT DECEMBER 31, 2018	952,971	796,691	986,023	6,221	7,336,894	(4,249)	10,074,551
Appropriation of 2018 earnings (Note 16)							
Legal reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
	-	-	177,596	-	(1,082,918)	-	(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE AT DECEMBER 31, 2019	\$ 952,971	\$ 796,691	\$ 1,163,619	\$ 6,221	\$ 7,808,705	\$ (7,670)	\$ 10,720,537

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,024,653	\$ 2,171,878
Adjustments for:		
Depreciation expenses	175,173	140,720
Amortization expenses	1,214	1,005
Expected credit loss (gain)	(3,394)	5,096
Finance costs	11,363	-
Gain on disposal of property, plant and equipment, net	(1,337)	(241)
Interest income	(170,739)	(141,008)
Write-downs of inventories	4,299	3,052
Other non-cash items	6,397	5,470
Changes in operating assets and liabilities		
Notes receivable	(2,737)	(12)
Accounts receivable	(77,232)	(106,001)
Other receivables	240	(579)
Inventories	(2,968)	(37,452)
Other current assets	(2,340)	(2,534)
Notes payable	18,221	22,227
Accounts payable	26,759	(10,311)
Other payables	42,716	32,173
Other current liabilities	5,300	(6,427)
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	2,053,773	2,071,564
Interest received	173,823	134,860
Interest paid	(11,363)	-
Income tax paid	(404,956)	(369,444)
Net cash generated from operating activities	1,811,277	1,836,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(127,064)	(143,024)
Proceeds from disposal of property, plant and equipment	1,503	853
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	5	-
Payments for intangible assets	(2,508)	-
Net cash used in investing activities	(128,064)	(142,256)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of guarantee deposits received	-	38
Repayment of the principal portion of lease liabilities	(30,420)	-
Cash dividends	(905,322)	(476,485)
Net cash used in financing activities	(935,742)	(476,447)

(Continued)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

---

	2019	2018
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ (399)	\$ (443)
NET INCREASE IN CASH AND CASH EQUIVALENTS	747,072	1,217,834
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,042,135</u>	<u>6,824,301</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,789,207</u>	<u>\$ 8,042,135</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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.

The Company’s shares have been listed on 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 26, 2020.

### 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, 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 did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”):

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### 1) Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.



## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- b) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.64%. The difference between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	<u>\$ 486,406</u>
Undiscounted amounts on January 1, 2019	\$ 441,711
Add: Adjustments as a result of a different treatment of extending the building's useful lives	<u>263,996</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 705,707</u>

## 3) The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on 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

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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 assessed that there was no impact that the application of other standards and interpretations will have 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 )
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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 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
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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 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 (i.e., not retranslated).

For the purpose 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 the weighted-average cost.

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 less 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

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i Significant financial difficulty of the issuer or the borrower;
- ii Breach of contract, such as a default;
- iii It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

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

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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

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.

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.

2) 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. Revenue recognition

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.

l. Leases - the Group as lessee

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

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

### m. 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.



n. 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 year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

#### Key Sources of Estimation Uncertainty

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. For details of the key assumptions and inputs used, refer to Note 7.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 205	\$ 91
Checking accounts and demand deposits	1,778,260	1,019,978
Cash equivalents (investments with original maturities less than 3 months)		
Commercial paper	289,438	950,958
Time deposits	<u>6,721,304</u>	<u>6,071,108</u>
	<u>\$ 8,789,207</u>	<u>\$ 8,042,135</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial paper (%)	0.42	0.42
Time deposits (%)	0.60-2.20	0.60-3.25

## 7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
At amortized cost		
Operating	\$ 47,736	\$ 45,006
Non-operating	<u>7</u>	<u>-</u>
Operating	<u>\$ 47,743</u>	<u>\$ 45,006</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/> <b>Accounts receivable</b> <hr/>		
At amortized cost		
Gross carrying amount	\$ 1,084,287	\$ 1,013,794
Less: Allowance for impairment loss	<u>4,562</u>	<u>7,956</u>
	<u>\$ 1,079,725</u>	<u>\$ 1,005,838</u>
<hr/> <b>Overdue receivable (under non-current assets)</b> <hr/>		
Non-accrual loan	\$ 1,213	\$ 1,213
Less: Allowance for impairment loss	<u>1,213</u>	<u>1,213</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

#### Accounts receivable

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, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	\$ 777,056	\$ 300,741	\$ 6,380	\$ 2	\$ 108	\$ 1,084,287
Loss allowance (Lifetime ECL)	<u>(808)</u>	<u>(3,007)</u>	<u>(638)</u>	<u>(1)</u>	<u>(108)</u>	<u>(4,562)</u>
Amortized cost	<u>\$ 776,248</u>	<u>\$ 297,734</u>	<u>\$ 5,742</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,079,725</u>

## 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)	<u>(712)</u>	<u>(3,016)</u>	<u>(1,178)</u>	<u>(666)</u>	<u>(2,384)</u>	<u>(7,956)</u>
Amortized cost	<u>\$ 695,965</u>	<u>\$ 298,609</u>	<u>\$ 10,599</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 1,005,838</u>

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

	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivable	Total
Balance at January 1, 2019	\$ 7,956	\$ 1,213	\$ 9,169
Add: Impairment losses reversed on receivables	<u>(3,394)</u>	<u>-</u>	<u>(3,394)</u>
Balance at December 31, 2019	<u>\$ 4,562</u>	<u>\$ 1,213</u>	<u>\$ 5,775</u>
Balance at January 1, 2018	\$ 2,888	\$ 1,185	\$ 4,073
Add: Impairment losses recognized on receivables	<u>5,068</u>	<u>28</u>	<u>5,096</u>
Balance at December 31, 2018	<u>\$ 7,956</u>	<u>\$ 1,213</u>	<u>\$ 9,169</u>

## 8. INVENTORIES

	<u>December 31</u>	
	2019	2018
Finished goods	\$ 191,059	\$ 190,290
Work-in-process	93,006	90,586
Raw materials	171,316	175,478
Supplies	9,269	9,591
Merchandise	<u>34</u>	<u>70</u>
	<u>\$ 464,684</u>	<u>\$ 466,015</u>

The cost of inventories recognized as costs of goods sold was \$2,251,850 thousand and \$2,108,995 thousand for the years ended December 31, 2019 and 2018, respectively, which included the following items:

	<u>For the Year Ended December 31</u>	
	2019	2018
Write-downs	\$ 4,299	\$ 3,052
Income from sale of scraps	<u>(40,155)</u>	<u>(46,045)</u>
	<u>\$ (35,856)</u>	<u>\$ (42,933)</u>

## 9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership	
			December 31, 2019	December 31, 2018
The Company	King Slide Technology Co., Ltd.	Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.	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
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 provide related services for rail kits, slides and accessories	100	100
King Slide Technology (China) Co., Ltd.	King Slide Technology (Shenzhen) Co., Ltd.	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.	100	-

Note 1: In 2019, the Group increased additional investment of \$29,431 thousand in King Slide USA Co., Ltd. As of December 31, 2019, the accumulated amount of investment was \$62,019 thousand.

Note 2: In December 2019, King Slide Technology (China) Co., Ltd. invested \$4,306 thousand in King Slide Technology (Shenzhen) Co., Ltd.

## 10. PROPERTY, PLANT AND EQUIPMENT

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

### For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Property under Construction	Total
<b>Cost</b>								
Balance at January 1, 2019	\$ 228,514	\$ 1,073,693	\$ 1,414,083	\$ 9,371	\$ 86,096	\$ 285,565	\$ -	\$ 3,097,322
Reclassified	-	-	-	-	-	-	160	160
Additions	-	745	140,256	3,260	2,167	11,527	1,050	159,005
Disposals	-	-	(20,451)	(1,804)	(116)	(556)	-	(22,927)
Effect of foreign currency exchange differences	(41)	(4,689)	-	(95)	(310)	(22)	-	(5,157)
Balance at December 31, 2019	<u>\$ 228,473</u>	<u>\$ 1,069,749</u>	<u>\$ 1,533,888</u>	<u>\$ 10,732</u>	<u>\$ 87,837</u>	<u>\$ 296,514</u>	<u>\$ 1,210</u>	<u>\$ 3,228,403</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2019	\$ -	\$ (334,290)	\$ (1,120,125)	\$ (6,036)	\$ (72,557)	\$ (210,965)	\$ -	\$ (1,743,973)
Depreciation expense	-	(28,903)	(83,042)	(899)	(5,375)	(21,352)	-	(139,571)
Disposals	-	-	20,286	1,804	116	555	-	22,761
Effect of foreign currency exchange differences	-	892	-	87	279	22	-	1,280
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (362,301)</u>	<u>\$ (1,182,881)</u>	<u>\$ (5,044)</u>	<u>\$ (77,537)</u>	<u>\$ (231,740)</u>	<u>\$ -</u>	<u>\$ (1,859,503)</u>
Carrying amounts at December 31, 2019	<u>\$ 228,473</u>	<u>\$ 707,448</u>	<u>\$ 351,007</u>	<u>\$ 5,688</u>	<u>\$ 10,300</u>	<u>\$ 64,774</u>	<u>\$ 1,210</u>	<u>\$ 1,368,900</u>

### For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
<b>Cost</b>							
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	<u>\$ 228,514</u>	<u>\$ 1,073,693</u>	<u>\$ 1,414,083</u>	<u>\$ 9,371</u>	<u>\$ 86,096</u>	<u>\$ 285,565</u>	<u>\$ 3,097,322</u>
<b>Accumulated depreciation</b>							
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	<u>\$ -</u>	<u>\$ (334,290)</u>	<u>\$ (1,120,125)</u>	<u>\$ (6,036)</u>	<u>\$ (72,557)</u>	<u>\$ (210,965)</u>	<u>\$ (1,743,973)</u>
Carrying amounts at December 31, 2018	<u>\$ 228,514</u>	<u>\$ 739,403</u>	<u>\$ 293,958</u>	<u>\$ 3,335</u>	<u>\$ 13,539</u>	<u>\$ 74,600</u>	<u>\$ 1,353,349</u>

b. Estimated useful lives

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

<b>Buildings</b>	
Plant	10-35 years
Office	50 years
Others	5-35 years
<b>Machinery and equipment</b>	
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
<b>Others</b>	
Crane	10 years
ASRS	10 years
Cutting	8 years
Others	2-20 years

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Acquisition of property, plant and equipment	\$ 159,005	\$ 70,476
Increase (decrease) in prepayments for equipment	(37,967)	59,636
Decrease in payables for purchased equipment	<u>6,026</u>	<u>12,912</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 127,064</u>	<u>\$ 143,024</u>

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts - land	<u>\$ 670,105</u>
	<b>For the Year Ended December 31, 2019</b>
Depreciation charge for right-of-use assets - land	<u>\$ 35,602</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Current	<u>\$ 30,913</u>
Non-current	<u>\$ 644,374</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land (%)	1.55-1.71

### c. Material lease-in activities and terms

Operating leases between King Slide Technology Co., Ltd. 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.

### d. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 385</u>
Total cash outflow for leases	<u>\$ 41,398</u>

2018

The future minimum lease payments of non-cancellable operating lease commitments in 2018 are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 41,783
Later than 1 year and not later than 5 years	167,132
Later than 5 years	<u>277,491</u>
	<u>\$ 486,406</u>

## 12. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes payable</u>		
Operating	\$ 244,152	\$ 225,931
Non-operating	<u>6,860</u>	<u>13,158</u>
	<u>\$ 251,012</u>	<u>\$ 239,089</u>
<u>Accounts payable - non-related parties</u>		
Operating	<u>\$ 100,013</u>	<u>\$ 73,254</u>

### 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.

## 13. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for employees' compensation and remuneration of directors and supervisors	\$ 237,440	\$ 193,614
Payable for bonuses	88,496	100,858
Payable for salaries	27,870	23,816
Payable for purchase of equipment	16,138	15,866
Others	<u>112,926</u>	<u>105,728</u>
	<u>\$ 482,870</u>	<u>\$ 439,882</u>



#### 14. REFUND LIABILITY

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 18,243	\$ 19,520
Recognized	6,397	5,470
Usage	<u>(6,739)</u>	<u>(6,747)</u>
Balance at December 31	<u>\$ 17,901</u>	<u>\$ 18,243</u>

#### 15. 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 84,980	\$ 78,139
Fair value of plan assets	<u>(42,979)</u>	<u>(38,724)</u>
Net defined benefit liability	<u>\$ 42,001</u>	<u>\$ 39,415</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 72,121</u>	<u>\$ (31,846)</u>	<u>\$ 40,275</u>
Service cost			
Current service cost	267	-	267
Net interest expense (income)	<u>901</u>	<u>(404)</u>	<u>497</u>
Recognized in profit or loss	<u>1,168</u>	<u>(404)</u>	<u>764</u>
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	<u>3,084</u>	<u>-</u>	<u>3,084</u>
Recognized in other comprehensive income	<u>5,480</u>	<u>(848)</u>	<u>4,632</u>
Contributions from the employer	<u>-</u>	<u>(6,256)</u>	<u>(6,256)</u>
Benefits paid	<u>(630)</u>	<u>630</u>	<u>-</u>
Balance at December 31, 2018	<u>78,139</u>	<u>(38,724)</u>	<u>39,415</u>
Service cost			
Current service cost	278	-	278
Net interest expense (income)	<u>880</u>	<u>(442)</u>	<u>438</u>
Recognized in profit or loss	<u>1,158</u>	<u>(442)</u>	<u>716</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,282)	(1,282)
Actuarial loss - changes in demographic assumptions	837	-	837
Actuarial loss - changes in financial assumptions	3,339	-	3,339
Actuarial loss - experience adjustments	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Recognized in other comprehensive income	<u>5,683</u>	<u>(1,282)</u>	<u>4,401</u>
Contributions from the employer	<u>-</u>	<u>(2,531)</u>	<u>(2,531)</u>
Balance at December 31, 2019	<u>\$ 84,980</u>	<u>\$ (42,979)</u>	<u>\$ 42,001</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 356	\$ 390
Selling and marketing expenses	78	80
General and administrative expenses	188	192
Research and development expenses	<u>94</u>	<u>102</u>
	<u>\$ 716</u>	<u>\$ 764</u>

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate (%)	0.750	1.125
Expected rate of salary increase (%)	2.00	2.00
Mortality rate (%)	The 5th life insurance mortality table in Taiwan	The 5th life insurance mortality table in Taiwan
Turnover rate (%)	0-14	0-17
The average duration of the defined benefit obligation	10.7 years	11.1 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	\$ (2,256)	\$ (2,141)
0.25% decrease	\$ 2,344	\$ 2,226
Expected rate of salary increase		
0.25% increase	\$ 2,274	\$ 2,167
0.25% decrease	\$ (2,201)	\$ (2,095)

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.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	\$ 7,009	\$ 2,542
Average duration of the defined benefit obligation	10.7 years	11.1 years

## 16. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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.

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 2018 and 2017 were approved in the shareholders' meeting on June 26, 2019 and, 2018, respectively. The appropriations of earnings for 2018 and 2017 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	<u>\$ 177,596</u>	<u>\$ -</u>		
Cash dividends	<u>\$ 905,322</u>	<u>\$ 476,485</u>	<u>\$ 9.5</u>	<u>\$ 5.0</u>

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on February 26, 2020. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
	<b>2019</b>	<b>2019</b>
Legal reserve	\$ 155,825	
Special reserve	1,449	
Cash dividends	<u>762,377</u>	<u>\$ 8</u>
	<u>\$ 919,651</u>	

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 30, 2020.

d. Other equity items

Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (4,249)	\$ (2,942)
Effect of change in tax rate	-	106
Exchange differences on translating foreign operations, net	(4,276)	(1,766)
Related income tax	<u>855</u>	<u>353</u>
Balance at December 31	<u>\$ (7,670)</u>	<u>\$ (4,249)</u>

**17. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,868,807</u>	<u>\$ 4,435,607</u>

a. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes and accounts receivable (Note 7)	<u>\$ 1,127,461</u>	<u>\$ 1,050,844</u>	<u>\$ 956,646</u>

b. Disaggregation of revenue

For the year ended December 31, 2019

	<b>Reportable Segments</b>			
	<b>The Company</b>	<b>King Slide Technology Co., Ltd.</b>	<b>Others</b>	<b>Total</b>
<u>Type of goods</u>				
Rail kits	\$ 1,476,310	\$ 3,113,689	\$ 44,498	\$ 4,634,497
Others	<u>171,082</u>	<u>58,126</u>	<u>5,102</u>	<u>234,310</u>
	<u>\$ 1,647,392</u>	<u>\$ 3,171,815</u>	<u>\$ 49,600</u>	<u>\$ 4,868,807</u>

For the year ended December 31, 2018

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

## 18. NET PROFIT

### a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains (losses), net	\$ (198,978)	\$ 235,089
Sample income	25,376	19,633
Mold income	16,503	29,378
Others	<u>7,225</u>	<u>8,574</u>
	<u>\$ (149,874)</u>	<u>\$ 292,674</u>

### b. Finance cost - only 2019

	For the Year Ended December 31, 2019
Interest on lease liabilities	<u>\$ 11,363</u>

### c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 139,571	\$ 140,720
Right-of-use-assets	35,602	-
Intangible assets	<u>1,214</u>	<u>1,005</u>
	<u>\$ 176,387</u>	<u>\$ 141,725</u>
Analysis of depreciation by function		
Operating costs	\$ 129,370	\$ 124,788
Operating expenses	<u>45,803</u>	<u>15,932</u>
	<u>\$ 175,173</u>	<u>\$ 140,720</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Analysis of amortization by function		
Operating costs	\$ -	\$ 26
Operating expenses	<u>1,214</u>	<u>979</u>
	<u>\$ 1,214</u>	<u>\$ 1,005</u>
		(Concluded)

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits		
Salaries	\$ 681,888	\$ 634,105
Others	<u>117,860</u>	<u>110,335</u>
	<u>799,748</u>	<u>744,440</u>
Post-employment benefits		
Defined contribution plans	22,687	21,104
Defined benefit plans (Note 14)	<u>716</u>	<u>764</u>
	<u>23,403</u>	<u>21,868</u>
	<u>\$ 823,151</u>	<u>\$ 766,308</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 547,416	\$ 497,973
Operating expenses	<u>275,735</u>	<u>268,335</u>
	<u>\$ 823,151</u>	<u>\$ 766,308</u>

e. 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, 2019 and 2018, which have been approved by the Company's board of directors on February 26, 2020 and February 27, 2019, respectively, were as follows:

Accrual rate and amount

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Cash</b>	<b>%</b>	<b>Cash</b>	<b>%</b>
Employees' compensation	\$ 62,329	3.6	\$ 74,726	3.7
Remuneration of directors and supervisors	6,500	0.4	6,500	0.3

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, 2018 and 2017.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 339,703	\$ 529,444
Foreign exchange losses	<u>(538,681)</u>	<u>(294,355)</u>
Foreign exchange gains (losses), net	<u>\$ (198,978)</u>	<u>\$ 235,089</u>

## 19. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 424,782	\$ 274,010
Income tax on unappropriated earnings	84,395	91,850
Adjustments for prior years	<u>(1,298)</u>	<u>(339)</u>
	<u>507,879</u>	<u>365,521</u>
Deferred tax		
Effect of change in tax rate	-	(5,759)
In respect of the current year	<u>(41,476)</u>	<u>36,152</u>
	<u>(41,476)</u>	<u>30,393</u>
Income tax expense recognized in profit or loss	<u>\$ 466,403</u>	<u>\$ 395,914</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 2,024,653</u>	<u>\$ 2,171,878</u>
Income tax expense calculated at the statutory rate	\$ 404,930	\$ 434,375
Tax-exempt income	(24,116)	(113,611)
Others	-	4
Income tax on unappropriated earnings	84,395	91,850
Unrecognized deductible temporary differences	2,492	(10,606)
Effect of tax rate changes	-	(5,759)
Adjustments for prior years' tax	<u>(1,298)</u>	<u>(339)</u>
Income tax expense recognized in profit	<u>\$ 466,403</u>	<u>\$ 395,914</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China is 25%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
Deferred tax		
Effect of change in tax rate	\$ -	\$ 866
In respect of the current year		
Remeasurement on defined benefit plans	880	926
Translation of foreign operations	<u>855</u>	<u>353</u>
Total income tax recognized in other comprehensive income	<u>\$ 1,735</u>	<u>\$ 2,145</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
Current tax liabilities		
Income tax payable	<u>\$ 355,704</u>	<u>\$ 252,781</u>

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, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<hr/>				
Deferred Tax Assets				
Temporary differences				
Share of profit using equity method	\$ 9,982	\$ 407	\$ -	\$ 10,389
Unrealized exchange losses	-	33,403	-	33,403
Defined benefit liabilities	10,817	-	880	11,697
Others	<u>11,998</u>	<u>2,273</u>	<u>-</u>	<u>14,271</u>
	<u>\$ 32,797</u>	<u>\$ 36,083</u>	<u>\$ 880</u>	<u>\$ 69,760</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Unrealized exchange gains	5,753	(5,753)	-	-
Defined benefit liabilities	2,901	360	-	3,261
Exchange differences on translating the financial statements of foreign operations	<u>(1,065)</u>	<u>-</u>	<u>(855)</u>	<u>(1,920)</u>
	<u>\$ 54,679</u>	<u>\$ (5,393)</u>	<u>\$ (855)</u>	<u>\$ 48,431</u> (Concluded)

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
<u>Deferred Tax Assets</u>				
Temporary differences				
Share of profit using equity method	\$ 8,140	\$ 1,842	\$ -	\$ 9,982
Unrealized exchange losses	32,442	(32,442)	-	-
Defined benefit liabilities	8,412	719	1,686	10,817
Others	<u>5,389</u>	<u>6,609</u>	<u>-</u>	<u>11,998</u>
	<u>\$ 54,383</u>	<u>\$ (23,272)</u>	<u>\$ 1,686</u>	<u>\$ 32,797</u>
<u>Deferred Tax liabilities</u>				
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	<u>(606)</u>	<u>-</u>	<u>(459)</u>	<u>(1,065)</u>
	<u>\$ 48,017</u>	<u>\$ 7,121</u>	<u>\$ (459)</u>	<u>\$ 54,679</u>

e. Information about tax-exemptions

As of December 31, 2019, profit attributable to the following expansion projects is exempted from income tax for a 5-year period:

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

f. Income tax assessments

The income tax returns of the Company and King Slide Technology Co., Ltd. through 2017 have been assessed by the tax authorities, respectively.

## 20. 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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net profit used in the computation of earnings per share	<u>\$ 1,558,250</u>	<u>\$ 1,775,964</u>

Weighted average number of ordinary shares outstanding

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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	<u>207</u>	<u>249</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>95,504</u>	<u>95,546</u>

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.

## 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	
	2019	2018
<hr/>		
Financial assets		
Measured at amortized cost (Note 1)	\$ 9,931,661	\$ 9,111,294
<hr/>		
Financial liabilities		
Measured at amortized cost (Note 2)	833,933	752,263

Note 1: The balances include financial assets 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 and interest rate risks

a) Foreign currency risk

The Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the 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	
	2019	2018
Profit or loss	\$ 87,668	\$ 73,778

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	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 6,947,952	\$ 6,931,933
Financial liabilities	675,287	-
Cash flow interest rate risk		
Financial assets	1,838,276	1,108,015

### 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, 2019 and 2018 would have been higher/lower by \$18,383 thousand and by \$11,080 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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits (including salaries, compensation or bonuses)	\$ 17,693	\$ 20,879
Post-employment benefits	<u>148</u>	<u>155</u>
	<u>\$ 17,841</u>	<u>\$ 21,034</u>

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

In addition to those disclosed in Note 11 ,unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
a. Unused letters of credit for purchases of raw materials and machinery and equipment	\$ 150,148	\$ 256,358
b. Unrecognized commitments of acquisition of property, plant and equipment	40,672	23,389
c. Contracts for purchases of raw materials		
Total amount	122,448	118,394
Issued promissory notes	29,741	29,741

## 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
<hr/> December 31, 2019 <hr/>				
Financial assets				
Monetary items				
USD	\$ 292,348	30.046	(USD:NTD)	\$ 8,783,900
Financial liabilities				
Monetary items				
USD	568	30.046	(USD:NTD)	17,078
<hr/> December 31, 2018 <hr/>				
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

The Group is mainly exposed to US dollar. For the year ended December 31, 2019, net foreign exchange loss was (\$198,978) thousand and for the year ended December 31, 2018, net foreign exchange gain was \$235,089 thousand.

## 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:

**Amount**

a) Purchases	
King Slide Technology (China). Co., Ltd.	<u>\$ 24,235</u>
b) Accounts payables	
King Slide Technology (China). Co., Ltd.	<u>\$ 13,510</u>

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

**Amount**

a) Sales of goods	
King Slide Technology (China). Co., Ltd.	<u>\$ 34,808</u>
b) Accounts receivable	
King Slide Technology (China). Co., Ltd.	<u>\$ 17,031</u>

- 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
<u>For the year ended December 31, 2019</u>					
Revenue from external customers	\$ 1,647,392	\$ 3,171,815	\$ 49,600	\$ -	\$ 4,868,807
Inter-segment revenue	<u>334,090</u>	<u>100,449</u>	<u>24,235</u>	<u>(458,774)</u>	<u>-</u>
Segment revenue	<u>\$ 1,981,482</u>	<u>\$ 3,272,264</u>	<u>\$ 73,835</u>	<u>\$ (458,774)</u>	<u>\$ 4,868,807</u>
Segment profit (loss)	<u>\$ 403,392</u>	<u>\$ 1,611,965</u>	<u>\$ (7,954)</u>	<u>\$ 7,748</u>	\$ 2,015,151
Interest income					170,739
Other gains and losses					(149,874)
Financial cost					<u>(11,363)</u>
Consolidated profit before income tax					2,024,653
Income tax					<u>(466,403)</u>
Consolidated net profit					<u>\$ 1,558,250</u>
<u>December 31, 2019</u>					
Total segment assets	<u>\$ 3,967,170</u>	<u>\$ 8,755,066</u>	<u>\$ 196,893</u>	<u>\$ (205,312)</u>	<u>\$ 12,713,817</u>
Total segment liabilities	<u>\$ 626,577</u>	<u>\$ 1,532,217</u>	<u>\$ 38,284</u>	<u>\$ (203,798)</u>	<u>\$ 1,993,280</u>
<u>For the year ended December 31, 2018</u>					
Revenue from external customers	\$ 1,618,435	\$ 2,762,227	\$ 54,945	\$ -	\$ 4,435,607
Inter-segment revenue	<u>314,078</u>	<u>86,445</u>	<u>-</u>	<u>(400,523)</u>	<u>-</u>
Segment revenue	<u>\$ 1,932,513</u>	<u>\$ 2,848,672</u>	<u>\$ 54,945</u>	<u>\$ (400,523)</u>	<u>\$ 4,435,607</u>
Segment profit (loss)	<u>\$ 369,433</u>	<u>\$ 1,368,994</u>	<u>\$ (6,781)</u>	<u>\$ 6,550</u>	\$ 1,738,196
Interest income					141,008
Other gains and losses					<u>292,674</u>
Consolidated profit before income tax					2,171,878
Income tax					<u>(395,914)</u>
Consolidated net profit					<u>\$ 1,775,964</u>
<u>December 31, 2018</u>					
Total segment assets	<u>\$ 4,389,129</u>	<u>\$ 6,836,520</u>	<u>\$ 150,835</u>	<u>\$ (169,829)</u>	<u>\$ 11,206,655</u>
Total segment liabilities	<u>\$ 616,503</u>	<u>\$ 668,422</u>	<u>\$ 15,347</u>	<u>\$ (168,168)</u>	<u>\$ 1,132,104</u>

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 17 (b)
- b. Other segment information

	<b>Depreciation and Amortization</b>	
	<b>2019</b>	<b>2018</b>
The Company	\$ 35,539	\$ 32,416
King Slide Technology Co., Ltd.	138,016	104,699
Others	<u>2,832</u>	<u>4,610</u>
	<u>\$ 176,387</u>	<u>\$ 141,725</u>

- 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:

	<b>Revenue from External Customers For the Year Ended December 31</b>		<b>Non-current Assets December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 1,356,722	\$ 1,145,461	\$ 2,106,468	\$ 1,449,480
USA	1,294,693	1,114,376	-	-
China	949,191	890,718	-	-
Others	<u>1,268,201</u>	<u>1,285,052</u>	<u>102,090</u>	<u>108,728</u>
	<u>\$ 4,868,807</u>	<u>\$ 4,435,607</u>	<u>\$ 2,208,558</u>	<u>\$ 1,558,208</u>

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:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>% to Operating Revenue, Net</b>	<b>Amount</b>	<b>% to Operating Revenue, Net</b>
Group A	\$ 789,956	16	\$ 641,514	14
Group B	<u>516,221</u>	<u>11</u>	<u>422,917</u>	<u>10</u>
	<u>\$ 1,306,177</u>	<u>27</u>	<u>\$ 1,064,431</u>	<u>24</u>

**TABLE 1**

**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, 2019  
(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	\$ 291,313	15	90 days after monthly closing	Note 1	-	\$ 131,113	31	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, 2019  
(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	Note
					Amount	Actions Taken			
The Company	King Slide Technology Co., Ltd.	Subsidiary	\$ 131,113	2.41	\$ -	-	\$ 61,744	\$ -	Notes 1 and 2
			<u>3,279</u>				-		Notes 1 and 3
			<u>\$ 134,392</u>				<u>\$ 61,744</u>		

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.

Note 3: The ending balance was other receivables.

**TABLE 3****KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES****INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company	Counterparty	Nature of Relationship (Note 8)	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	\$ 291,313	Note 1	6
0	The Company	King Slide Technology Co., Ltd.	1	Processing income	7,783	Note 2	-
0	The Company	King Slide Technology Co., Ltd.	1	Notes receivable	92,527	Note 4	1
0	The Company	King Slide Technology Co., Ltd.	1	Accounts receivable	38,586	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Other receivables	3,279	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Service revenue	4,179	Note 3	-
0	The Company	King Slide Technology Co., Ltd.	1	Technology and service income	2,020	Note 6	-
0	The Company	King Slide Technology (China) Co., Ltd.	1	Sales	34,808	Note 7	1
0	The Company	King Slide Technology (China) Co., Ltd.	1	Accounts receivable	17,031	Note 4	-
0	The Company	King Slide USA, Inc.	1	Sales	186	Note 7	-
1	King Slide Technology Co., Ltd.	The Company	2	Sales	96,964	Note 1	2
1	King Slide Technology Co., Ltd.	The Company	2	Notes receivable	26,282	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Accounts receivable	10,771	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Service revenue	496	Note 3	-
1	King Slide Technology Co., Ltd.	King Slide USA, Inc.	3	Sales	3,479	Note 7	-
1	King Slide Technology Co., Ltd.	King Slide USA, Inc.	3	Accounts receivable	1,411	Note 4	-
2	King Slide Technology (China) Co., Ltd.	The Company	2	Sales	24,235	Note 7	-
2	King Slide Technology (China) Co., Ltd.	The Company	2	Accounts receivable	13,510	Note 4	-
4	King Slide USA, Inc.	The Company	2	Other income	1,766	Note 2	-
5	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Commissions	3,892	Note 5	-
5	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Other receivables	365	Note 4	-

(Continued)

Note 1: The price is based on cost.

Note 2: It is based on cost.

Note 3: The revenue is based on the number of hours provided in King Slide Technology Co., Ltd.

Note 4: Expect for the commissions is paid in 10 days between parent company and subsidiary. The payment term is the same as the average customers' payment term of 90 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.

Note 7: The sales price is based on cost plus gross profit.

Note 8: 1) Represents the transactions from parent company to subsidiary.

2) Represents the transactions from subsidiary to parent company.

3) Represents the transactions between subsidiaries.

(Concluded)

**TABLE 4**

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

## INFORMATION ON INVESTEES

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

[illegible]

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, 2019**

**(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 4)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	\$ 157,282	Note 1	\$ 157,282	\$ -	\$ -	\$ 157,282	\$ 232	100	\$ 232	\$ 117,414	\$ -	
King Slide Technology (Shenzhen) Co., Ltd.	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.	4,306	Note 2	-	-	-	-	(4)	100	(4)	4,302	-	

Investor 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)
The Company	\$ 157,282	\$ 157,282	\$ 6,432,322

Note 1: Set King Slide (Hong Kong) Co., Limited in Hong Kong to invest in King Slide Technology (China) Co. Ltd.

Note 2: King Slide Technology (China) Co. Ltd invested in the Company in December 2019.

Note 3: Upper limit on the amount of investment in mainland China:  $\$10,720,537 \times 60\% = \$6,432,322$ .

Note 4 The amount was recognized based on the audited financial statements.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
King Slide Works Co., Ltd.

### **Opinion**

We have audited the accompanying financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### Recoverability of accounts receivable

As of December 31, 2019, the net amount of accounts receivable of the Company was NT\$238,209 thousand, representing 2% of the Company's total assets. Management estimated the recoverability of accounts receivable based on the International Financial Reporting Standards and considered the customers' past default records and their current financial position to estimate the allowance for impairment loss. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of internal control activities relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We examined the existence of the accounts receivable, which included samples of letter confirmation, collection records after the balance sheets date, and the verification of goods receipts by customers or shipping records.
2. We 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 and also 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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 financial statements for the year ended December 31, 2019 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 Chen-Li Chen and Lee - Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

#### Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.*

**KING SLIDE WORKS CO., LTD.****DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,894,097	26	\$ 3,302,150	31
Notes receivable (Notes 4, 7 and 16)	40,477	-	38,767	-
Notes receivable - related parties (Notes 7, 16 and 22)	92,527	1	88,543	1
Accounts receivable, net (Notes 4, 5, 7 and 16)	238,209	2	261,563	3
Accounts receivable - related parties (Notes 7, 16 and 22)	55,617	1	43,533	-
Other receivables (Note 21)	3,760	-	6,812	-
Other receivables - related parties (Note 22)	3,279	-	1,182	-
Inventories (Notes 4 and 8)	164,319	1	184,585	2
Other current assets	<u>21,224</u>	<u>-</u>	<u>24,800</u>	<u>-</u>
Total current assets	<u>3,513,509</u>	<u>31</u>	<u>3,951,935</u>	<u>37</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 9)	7,379,944	65	6,301,925	59
Property, plant and equipment (Notes 4, 10 and 23)	373,866	3	375,915	4
Other intangible assets (Note 4)	2,654	-	-	-
Deferred tax assets (Notes 4 and 18)	37,606	-	26,437	-
Prepayments for equipment	39,254	1	34,558	-
Refundable deposits	<u>281</u>	<u>-</u>	<u>284</u>	<u>-</u>
Total non-current assets	<u>7,833,605</u>	<u>69</u>	<u>6,739,119</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 11,347,114</u>	<u>100</u>	<u>\$ 10,691,054</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable (Note 11)	\$ 99,390	1	\$ 107,241	1
Notes payable - related parties (Notes 11 and 22)	26,282	-	24,866	-
Accounts payable (Note 11)	33,008	1	33,448	-
Accounts payable - related parties (Note 11 and 22)	24,281	-	9,584	-
Other payables (Note 12)	258,001	2	254,542	3
Other payable - related parties (Note 22)	14	-	4	-
Current tax liabilities (Notes 4 and 18)	81,408	1	82,280	1
Refund liability - current (Note 13)	3,092	-	5,470	-
Other current liabilities	<u>10,669</u>	<u>-</u>	<u>10,727</u>	<u>-</u>
Total current liabilities	<u>536,145</u>	<u>5</u>	<u>528,162</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 18)	48,431	1	48,926	1
Net defined benefit liabilities (Notes 4 and 14)	<u>42,001</u>	<u>-</u>	<u>39,415</u>	<u>-</u>
Total non-current liabilities	<u>90,432</u>	<u>1</u>	<u>88,341</u>	<u>1</u>
Total liabilities	<u>626,577</u>	<u>6</u>	<u>616,503</u>	<u>6</u>
<b>EQUITY (Note 15)</b>				
Ordinary shares	<u>952,971</u>	<u>8</u>	<u>952,971</u>	<u>9</u>
Capital surplus	<u>796,691</u>	<u>7</u>	<u>796,691</u>	<u>7</u>
Retained earnings				
Legal reserve	1,163,619	10	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	<u>7,808,705</u>	<u>69</u>	<u>7,336,894</u>	<u>69</u>
Total retained earnings	<u>8,978,545</u>	<u>79</u>	<u>8,329,138</u>	<u>78</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	<u>(7,670)</u>	<u>-</u>	<u>(4,249)</u>	<u>-</u>
Total equity	<u>10,720,537</u>	<u>94</u>	<u>10,074,551</u>	<u>94</u>
<b>TOTAL</b>	<u>\$ 11,347,114</u>	<u>100</u>	<u>\$ 10,691,054</u>	<u>100</u>

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

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13, 16 and 22)	\$ 1,981,482	100	\$ 1,932,513	100
OPERATING COSTS (Notes 8, 17 and 22)	<u>1,282,886</u>	<u>65</u>	<u>1,269,770</u>	<u>66</u>
GROSS PROFIT	698,596	35	662,743	34
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,513)	-	(1,661)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>1,661</u>	<u>-</u>	<u>2,311</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>698,744</u>	<u>35</u>	<u>663,393</u>	<u>34</u>
OPERATING EXPENSES (Notes 7, 17 and 22)				
Selling and marketing	94,947	5	95,401	5
General and administrative	91,279	5	90,698	5
Research and development	109,072	5	107,643	5
Expected credit loss	<u>54</u>	<u>-</u>	<u>218</u>	<u>-</u>
Total operating expenses	<u>295,352</u>	<u>15</u>	<u>293,960</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>403,392</u>	<u>20</u>	<u>369,433</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 17 and 22)				
Other gains and losses	(36,718)	(2)	102,663	5
Interest income	57,747	3	61,004	3
Share of profit of subsidiaries	<u>1,252,716</u>	<u>63</u>	<u>1,386,302</u>	<u>72</u>
Total non-operating income and expenses	<u>1,273,745</u>	<u>64</u>	<u>1,549,969</u>	<u>80</u>
PROFIT BEFORE INCOME TAX	1,677,137	84	1,919,402	99
INCOME TAX EXPENSE (Notes 4 and 18)	<u>118,887</u>	<u>6</u>	<u>143,438</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>78</u>	<u>1,775,964</u>	<u>92</u>

(Continued)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	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	\$ (4,401)	-	\$ (4,632)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>880</u>	<u>-</u>	<u>1,686</u>	<u>-</u>
	<u>(3,521)</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(4,276)	-	(1,766)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>855</u>	<u>-</u>	<u>459</u>	<u>-</u>
	<u>(3,421)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(6,942)</u>	<u>-</u>	<u>(4,253)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,551,308</u>	<u>78</u>	<u>\$ 1,771,711</u>	<u>92</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 16.35</u>		<u>\$ 18.64</u>	
Diluted	<u>\$ 16.32</u>		<u>\$ 18.59</u>	

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

(Concluded)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

			Retained Earnings		Unappropriated	Other Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	(476,485)	-	(476,485)
Net profit for the year ended December 31, 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE AT DECEMBER 31, 2018	952,971	796,691	986,023	6,221	7,336,894	(4,249)	10,074,551
Appropriation of 2018 earnings (Note 15)							
Legal Reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
	-	-	177,596	-	(1,082,918)	-	(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE AT DECEMBER 31, 2019	\$ 952,971	\$ 796,691	\$ 1,163,619	\$ 6,221	\$ 7,808,705	\$ (7,670)	\$ 10,720,537

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



# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,677,137	\$ 1,919,402
Adjustments for:		
Depreciation expenses	34,726	32,138
Amortization expenses	813	278
Expected credit loss	54	218
Gain on disposal of property, plant and equipment, net	(1,181)	(231)
Interest income	(57,747)	(61,004)
Share of profit of subsidiaries	(1,252,716)	(1,386,302)
Write-downs of inventories	3,406	478
Unrealized gain on transactions with subsidiaries	1,513	1,661
Realized gain on transactions with subsidiaries	(1,661)	(2,311)
Others	864	1,934
Changes in operating assets and liabilities		
Notes receivable	(1,710)	(1,656)
Notes receivable - related parties	(3,984)	(7,506)
Accounts receivable	20,058	32,321
Accounts receivable - related parties	(12,084)	(2,520)
Other receivables	1,101	(108)
Other receivables - related parties	(2,097)	889
Inventories	16,860	(3,363)
Other current assets	2,049	(829)
Notes payable	(2,514)	2,395
Notes payable - related parties	1,416	(952)
Accounts payable	(440)	(10,970)
Accounts payable - related parties	14,697	(2,134)
Other payables	4,001	20,414
Other payable - related parties	10	(5)
Other current liabilities	(58)	4,031
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	440,698	530,776
Interest received	59,698	58,810
Dividend income	200,000	200,000
Income tax paid	(129,688)	(144,339)
Net cash generated from operating activities	570,708	645,247
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment accounted for using the equity method	(29,431)	-
Payments for property, plant and equipment	(43,252)	(26,755)
Proceeds from disposal of property, plant and equipment	1,181	843
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	3	-
Payments for intangible assets	(1,940)	-
Net cash used in investing activities	(73,439)	(25,997)

(Continued)

## KING SLIDE WORKS CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

---

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	\$ -	\$ 38
Cash dividends	<u>(905,322)</u>	<u>(476,485)</u>
Net cash used in financing activities	<u>(905,322)</u>	<u>(476,447)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(408,053)	142,803
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,302,150</u>	<u>3,159,347</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,894,097</u>	<u>\$ 3,302,150</u>

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

(Concluded)

# **KING SLIDE WORKS CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(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.

The Company’s shares have been listed on the Taiwan Stock Exchange.

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

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on February 26, 2020.

#### **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, 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 did not have any material impact on the Company’s accounting policies:

##### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

##### **1) Definition of a lease**

The Company elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

3) The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

There is no impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16.

b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)
Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.	
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 financial statements were authorized for issue, the Company assessed that there was no impact that the application of other standards and interpretations will have 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note )</b>
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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note )</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
	(Concluded)

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

As of the date the 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 statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **b. Basis of preparation**

The financial statements have been prepared on the historical cost basis except for 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 financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the financial statements equal to those attributed to owners of the Company on the consolidated financial statements. The differences between the consolidated financial statements 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 the 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; 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.

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

d. Foreign currencies

In preparing the 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 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 (i.e., not retranslated).

For the purpose of presenting financial statements, the functional currencies of the Company and its 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 the weighted-average cost.

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 equity of subsidiaries.

Profit or loss resulting from downstream transactions is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized in the 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

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i Significant financial difficulty of the issuer or the borrower;
- ii Breach of contract, such as a default;
- iii It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

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

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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

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.

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.

2) 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. Revenue recognition

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.

l. Leases - the Company as lease

2019

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

2018

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

m. 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.

n. 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 year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

#### Key Sources of Estimation Uncertainty

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. For details of the key assumptions and inputs used, refer to Note 7.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 171	\$ 60
Checking accounts and demand deposits	876,939	542,474
Cash equivalents (investments with original maturities less than 3 months)		
Commercial paper	227,565	402,528
Time deposits	<u>1,789,422</u>	<u>2,357,088</u>
	<u>\$ 2,894,097</u>	<u>\$ 3,302,150</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial paper (%)	0.42	0.42
Time deposits (%)	0.60-2.20	0.6-3.25

## 7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable - non-related parties</u>		
At amortized cost		
Operating	\$ 40,470	\$ 38,767
Non-operating	<u>7</u>	<u>-</u>
	<u>\$ 40,477</u>	<u>\$ 38,767</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/> Notes receivable - related parties (Note 22) <hr/>		
At amortized cost		
Operating	\$ 91,193	\$ 87,922
Non-operating	<u>1,334</u>	<u>621</u>
	<u>\$ 92,527</u>	<u>\$ 88,543</u>
<hr/> Accounts receivable - non-related parties <hr/>		
At amortized cost		
Gross carrying amount	\$ 239,317	\$ 262,617
Less: Allowance for impairment loss	<u>1,108</u>	<u>1,054</u>
	<u>\$ 238,209</u>	<u>\$ 261,563</u>
<hr/> Accounts receivable - related parties (Note 22) <hr/>		
At amortized cost		
Operating	<u>\$ 55,617</u>	<u>\$ 43,533</u>
<hr/> Overdue receivable (under non-current assets) <hr/>		
Non-accrual loan	\$ 1,213	\$ 1,213
Less: Allowance for impairment loss	<u>1,213</u>	<u>1,213</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

#### In 2019

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.

a. December 31, 2019

	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	0-1	10	50	100	-
Gross carrying amount	\$ 227,405	\$ 64,239	\$ 3,288	\$ 2	\$ -	\$ 294,934
Loss allowance (Lifetime ECL)	<u>(179)</u>	<u>(599)</u>	<u>(329)</u>	<u>(1)</u>	<u>-</u>	<u>(1,108)</u>
Amortized cost	<u>\$ 227,226</u>	<u>\$ 63,640</u>	<u>\$ 2,959</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 293,826</u>

b. 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)	<u>(178)</u>	<u>(876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,054)</u>
Amortized cost	<u>\$ 217,369</u>	<u>\$ 87,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,096</u>

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

	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivable	Total
Balance at January 1, 2019	\$ 1,054	\$ 1,213	\$ 2,267
Add: Impairment losses recognized on receivables	<u>54</u>	<u>-</u>	<u>54</u>
Balance at December 31, 2019	<u>\$ 1,108</u>	<u>\$ 1,213</u>	<u>\$ 2,321</u>
Balance at January 1, 2018	\$ 864	\$ 1,185	\$ 2,049
Add: Impairment losses recognized on receivables	<u>190</u>	<u>28</u>	<u>218</u>
Balance at December 31, 2018	<u>\$ 1,054</u>	<u>\$ 1,213</u>	<u>\$ 2,267</u>

## 8. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 45,615	\$ 43,340
Work-in-process	29,504	32,908
Raw materials	86,074	105,386
Supplies	3,092	2,881
Merchandise	<u>34</u>	<u>70</u>
	<u>\$ 164,319</u>	<u>\$ 184,585</u>

The cost of inventories recognized as costs of goods sold was \$1,282,886 thousand and \$1,269,770 thousand

for the years ended December 31, 2019 and 2018, respectively, which included the following items:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Write-downs	\$ 3,406	\$ 478
Income from sale of scraps	<u>(21,550)</u>	<u>(26,998)</u>
	<u>\$ (18,144)</u>	<u>\$ (26,520)</u>

## 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Not listed (cabinet) company		
King Slide Technology Co., Ltd.	\$ 7,222,849	\$ 6,168,098
King Slide (Samoa) Co., Ltd.	117,414	121,704
King Slide USA, Inc.	<u>39,681</u>	<u>12,123</u>
	<u>\$ 7,379,944</u>	<u>\$ 6,301,925</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
King Slide Technology Co., Ltd.	100%	100%
King Slide (Samoa) Co., Ltd.	100%	100%
King Slide USA, Inc.	100%	100%

In 2019, the Company increased additional investment of \$29,431 thousand in King Slide USA Co., Ltd. and the accumulated amount of investment was \$62,019 thousand as of December 31, 2019. Refer to Table 3 on “Information on Investees”.

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, 2019 and 2018 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, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 226,670	\$ 197,920	\$ 766,003	\$ 4,715	\$ 36,289	\$ 85,222	\$ 1,316,819
Additions	-	647	23,818	3,260	1,053	3,899	32,677
Disposals	-	-	(14,466)	(1,804)	(116)	(556)	(16,942)
Balance at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 198,567</u>	<u>\$ 775,355</u>	<u>\$ 6,171</u>	<u>\$ 37,226</u>	<u>\$ 88,565</u>	<u>\$ 1,332,554</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ (134,196)	\$ (701,944)	\$ (3,367)	\$ (32,207)	\$ (69,190)	\$ (940,904)
Depreciation expense	-	(5,770)	(22,844)	(588)	(1,936)	(3,588)	(34,726)
Disposals	-	-	14,466	1,804	116	556	16,942
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (139,966)</u>	<u>\$ (710,322)</u>	<u>\$ (2,151)</u>	<u>\$ (34,027)</u>	<u>\$ (72,222)</u>	<u>\$ (958,688)</u>
Carrying amounts at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 58,601</u>	<u>\$ 65,033</u>	<u>\$ 4,020</u>	<u>\$ 3,199</u>	<u>\$ 16,343</u>	<u>\$ 373,866</u>

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other	Total
<u>Cost</u>							
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	<u>\$ 226,670</u>	<u>\$ 197,920</u>	<u>\$ 766,003</u>	<u>\$ 4,715</u>	<u>\$ 36,289</u>	<u>\$ 85,222</u>	<u>\$ 1,316,819</u>
<u>Accumulated depreciation</u>							
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	<u>\$ -</u>	<u>\$ (134,196)</u>	<u>\$ (701,944)</u>	<u>\$ (3,367)</u>	<u>\$ (32,207)</u>	<u>\$ (69,190)</u>	<u>\$ (940,904)</u>
Carrying amounts at December 31, 2018	<u>\$ 226,670</u>	<u>\$ 63,724</u>	<u>\$ 64,059</u>	<u>\$ 1,348</u>	<u>\$ 4,082</u>	<u>\$ 16,032</u>	<u>\$ 375,915</u>

b. Estimated useful lives

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

Buildings	
Plant	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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Acquisition of property, plant and equipment	\$ 32,677	\$ 24,857
Increase in prepayments for equipment	4,696	7,342
Decrease (Increase) in payable for purchased equipment	<u>5,879</u>	<u>(5,444)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 43,252</u>	<u>\$ 26,755</u>

## 11. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/> Notes payable - non-related parties <hr/>		
Operating	\$ 98,818	\$ 101,332
Non-operating	<u>572</u>	<u>5,909</u>
	<u>\$ 99,390</u>	<u>\$ 107,241</u>
<hr/> Notes payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 26,282</u>	<u>\$ 24,866</u>
<hr/> Accounts payable - non-related parties <hr/>		
Operating	<u>\$ 33,008</u>	<u>\$ 33,448</u>
<hr/> Accounts payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 24,281</u>	<u>\$ 9,584</u>

- 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payables for employees' compensation and remuneration of directors and supervisors	\$ 143,555	\$ 123,446
Payables for bonuses	43,457	62,654
		(Continued)



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payables for annual leave	\$ 13,546	\$ 12,167
Payables for salaries	11,370	10,422
Others	<u>46,073</u>	<u>45,853</u>
	<u>\$ 258,001</u>	<u>\$ 254,542</u> (Concluded)

### 13. REFUND LIABILITY

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 5,470	\$ 3,536
Recognized	864	1,934
Reversed	<u>(3,242)</u>	<u>-</u>
Balance at December 31, 2018, per IAS 37	<u>\$ 3,092</u>	<u>\$ 5,470</u>

### 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 balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 84,980	\$ 78,139
Fair value of plan assets	<u>(42,979)</u>	<u>(38,724)</u>
Net defined benefit liability	<u>\$ 42,001</u>	<u>\$ 39,415</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 72,121</u>	<u>\$ (31,846)</u>	<u>\$ 40,275</u>
Service cost			
Current service cost	267	-	267
Net interest expense (income)	<u>901</u>	<u>(404)</u>	<u>497</u>
Recognized in profit or loss	<u>1,168</u>	<u>(404)</u>	<u>764</u>
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	<u>3,084</u>	<u>-</u>	<u>3,084</u>
Recognized in other comprehensive income	<u>5,480</u>	<u>(848)</u>	<u>4,632</u>
Contributions from the employer	<u>-</u>	<u>(6,256)</u>	<u>(6,256)</u>
Benefits paid	<u>(630)</u>	<u>630</u>	<u>-</u>
Balance at December 31, 2018	<u>78,139</u>	<u>(38,724)</u>	<u>39,415</u>
Service cost			
Current service cost	278	-	278
Net interest expense (income)	<u>880</u>	<u>(442)</u>	<u>438</u>
Recognized in profit or loss	<u>1,158</u>	<u>(442)</u>	<u>716</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,282)	(1,282)
Actuarial loss - changes in demographic assumptions	837	-	837
Actuarial loss - changes in financial assumptions	3,339	-	3,339
Actuarial loss - experience adjustments	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Recognized in other comprehensive income	<u>5,683</u>	<u>(1,282)</u>	<u>4,401</u>
Contributions from the employer	<u>-</u>	<u>(2,531)</u>	<u>(2,531)</u>
Balance at December 31, 2019	<u>\$ 84,980</u>	<u>\$ (42,979)</u>	<u>\$ 42,001</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 356	\$ 390
Selling and marketing expenses	78	80
General and administrative expenses	188	192
Research and development expenses	<u>94</u>	<u>102</u>
	<u><b>\$ 716</b></u>	<u><b>\$ 764</b></u>

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate (%)	0.750	1.125
Expected rate of salary increase (%)	2.00	2.00
Mortality rate (%)	The 5th life insurance mortality table in Taiwan	The 5th life insurance mortality table in Taiwan
Turnover rate (%)	0-14	0-17
The average duration of the defined benefit obligation	10.7 years	11.1 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (2,256)</u>	<u>\$ (2,141)</u>
0.25% decrease	<u>\$ 2,344</u>	<u>\$ 2,226</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,274</u>	<u>\$ 2,167</u>
0.25% decrease	<u>\$ (2,201)</u>	<u>\$ (2,095)</u>

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.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ 7,009</u>	<u>\$ 2,542</u>
Average duration of the defined benefit obligation	10.7 years	11.1 years

## 15. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>138,000</u>	<u>138,000</u>
Shares authorized	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>
Number of shares issued and fully paid (in thousands)	<u>95,297</u>	<u>95,297</u>
Shares issued	<u>\$ 952,971</u>	<u>\$ 952,971</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Arising from issuance of ordinary shares	\$ 794,341	\$ 794,341
Arising from treasury share transactions	<u>2,350</u>	<u>2,350</u>
	<u>\$ 796,691</u>	<u>\$ 796,691</u>

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.

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 2018 and 2017 were approved in the shareholders' meeting on June 26, 2019 and 2018, respectively. The appropriations of earnings for 2018 and 2017 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 177,596	\$ -		
Cash dividends	\$ 905,322	\$ 476,485	\$ 9.5	\$ 5.0

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on February 26, 2020. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 155,825	
Special reserve	1,449	
Cash dividends	762,377	\$ 8
	<u>\$ 919,651</u>	

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 30, 2020.

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (4,249)	\$ (2,942)
Effect of change in tax rate	-	106
Exchange differences on translating the financial statements of foreign operations, net	(4,276)	(1,766)
Related income tax	<u>855</u>	<u>353</u>
Balance at December 31	<u>\$ (7,670)</u>	<u>\$ (4,249)</u>

**16. REVENUE**

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,973,699	\$ 1,925,851
Processing	<u>7,783</u>	<u>6,662</u>
	<u>\$ 1,981,482</u>	<u>\$ 1,932,513</u>

a. Contract balances

	<u>December 31</u>		<u>January 1</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Notes and accounts receivable (Note 7)	<u>\$ 425,489</u>	<u>\$ 431,785</u>	<u>\$ 453,263</u>

b. Disaggregation of revenue

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Type of goods		
Rail kits	\$ 1,515,582	\$ 1,476,855
Others	<u>465,900</u>	<u>455,658</u>
	<u>\$ 1,981,482</u>	<u>\$ 1,932,513</u>

**17. NET PROFIT**

a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Foreign exchange gain (losses), net	\$ (47,910)	\$ 92,337
Sample income	1,674	2,360
		(Continued)



	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Mold income	\$ 3,809	\$ 2,988
Others	<u>5,709</u>	<u>4,978</u>
	<u>\$ (36,718)</u>	<u>\$ 102,663</u> (Concluded)

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 34,726	\$ 32,138
Intangible assets	<u>813</u>	<u>278</u>
	<u>\$ 35,539</u>	<u>\$ 32,416</u>
Analysis of depreciation by function		
Operating costs	\$ 31,633	\$ 29,037
Operating expenses	<u>3,093</u>	<u>3,101</u>
	<u>\$ 34,726</u>	<u>\$ 32,138</u>
Analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>813</u>	<u>278</u>
	<u>\$ 813</u>	<u>\$ 278</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits		
Salaries	\$ 335,558	\$ 339,143
Others	<u>60,539</u>	<u>59,949</u>
	<u>396,097</u>	<u>399,092</u>
Post-employment benefits		
Defined contribution plans	10,861	10,595
Defined benefit plans (Note 14)	<u>716</u>	<u>764</u>
	<u>11,577</u>	<u>11,359</u>
	<u>\$ 407,674</u>	<u>\$ 410,451</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 248,410	\$ 247,538
Operating expenses	<u>159,264</u>	<u>162,913</u>
	<u>\$ 407,674</u>	<u>\$ 410,451</u>

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, 2019 and 2018, which have been approved by the Company's board of directors on February 26, 2020 and February 27, 2019, respectively, were as follows:

Accrual rate and amount

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Cash</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Employees' compensation	\$ 62,329	3.6	\$ 74,726	3.7
Remuneration of directors and supervisors	6,500	0.4	6,500	0.3

If there is a change in the amounts after the annual 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, 2018 and 2017.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 111,154	\$ 208,545
Foreign exchange losses	<u>(159,064)</u>	<u>(116,208)</u>
Foreign exchange gains (losses), net	<u>\$ (47,910)</u>	<u>\$ 92,337</u>

## 18. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 95,744	\$ 85,370
Income tax on unappropriated earnings	33,782	43,144
Adjustments for prior years	<u>(710)</u>	<u>(166)</u>
	<u>128,816</u>	<u>128,348</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of tax rate changes	\$ (9,929)	\$ 20,849
In respect of the current year' tax	<u>-</u>	<u>(5,759)</u>
	<u>(9,929)</u>	<u>15,090</u>
Income tax expense recognized in profit or loss	<u>\$ 118,887</u>	<u>\$ 143,438</u>
		(Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 1,677,137</u>	<u>\$ 1,919,402</u>
Income tax expense calculated at the statutory rate	\$ 335,427	\$ 383,881
Domestic investment income using equity method	(250,950)	(277,666)
Others	1,338	4
Income tax on unappropriated earnings	33,782	43,144
Effect of change in tax rate	-	(5,759)
Adjustments for prior years	<u>(710)</u>	<u>(166)</u>
Income tax expense recognized in profit	<u>\$ 118,887</u>	<u>\$ 143,438</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of change in tax rate	\$ -	\$ 866
In respect of the current year		
Remeasurement on defined benefit plans	880	926
Translation of foreign operations	<u>855</u>	<u>353</u>
Total income tax recognized in other comprehensive income	<u>\$ 1,735</u>	<u>\$ 2,145</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 81,408</u>	<u>\$ 82,280</u>

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, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Share of profit using equity method	\$ 9,982	\$ 407	\$ -	\$ 10,389
Unrealized exchange losses	1,147	9,799	-	10,946
Defined benefit liabilities	10,817	-	880	11,697
Others	<u>4,491</u>	<u>83</u>	<u>-</u>	<u>4,574</u>
	<u>\$ 26,437</u>	<u>\$ 10,289</u>	<u>\$ 880</u>	<u>\$ 37,606</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Defined benefit liabilities	2,901	360	-	3,261
Exchange differences on translating the financial statements of foreign operations	<u>(1,065)</u>	<u>-</u>	<u>(855)</u>	<u>(1,920)</u>
	<u>\$ 48,926</u>	<u>\$ 360</u>	<u>\$ (855)</u>	<u>\$ 48,431</u>

For the year ended December 31, 2018

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
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	<u>2,500</u>	<u>1,991</u>	<u>-</u>	<u>4,491</u>
	<u>\$ 38,473</u>	<u>\$ (13,722)</u>	<u>\$ 1,686</u>	<u>\$ 26,437</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax liabilities</u>				
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	<u>(606)</u>	<u>-</u>	<u>(459)</u>	<u>(1,065)</u>
	<u>\$ 48,017</u>	<u>\$ 1,368</u>	<u>\$ (459)</u>	<u>\$ 48,926</u> (Concluded)

e. Income tax assessments

The tax returns of the Company through 2017 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

	<u>For the Year Ended December 31</u>	
	2019	2018
Net profit used in the computation of earnings per share	<u>\$ 1,558,250</u>	<u>\$ 1,775,964</u>

Weighted average number of ordinary shares outstanding

	<u>For the Year Ended December 31</u>	
	2019	2018
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	<u>207</u>	<u>249</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>95,504</u>	<u>95,546</u>

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 financial statements approximate their fair values.

### b. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
Financial assets		
<hr/>		
Measured at amortized cost (Note 1)	\$ 3,328,247	\$ 3,742,834
<hr/>		
Financial liabilities		
<hr/>		
Measured at amortized cost (Note 2)	441,014	429,723

Note 1: The balances include financial assets 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 at amortized cost, which comprise notes payable (including related parties), refundable deposits (including in other current liability), 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 and interest rate risk.

##### a) Foreign currency risk

The Company have foreign currency sales and purchases, which exposes the Company to foreign currency risk.

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.

	<b>USD impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ 25,529	\$ 26,719

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 1,996,157	\$ 2,708,786
Cash flow interest rate risk		
Financial assets	926,822	592,642

#### 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, 2019 and 2018 would have been higher/lower by \$9,268 thousand and by \$5,926 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 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

<u>Related Party Name</u>	<u>Related Party Category</u>
King Slide Technology Co., Ltd. (KSTC)	Subsidiaries
King Slide USA, Inc. (KSUSA)	Subsidiaries
King Slide Technology (China) Co., Ltd. (KSCC)	Subsidiaries

### b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
KSTC	\$ 291,313	\$ 273,335
Others	<u>34,994</u>	<u>34,081</u>
	<u>\$ 326,307</u>	<u>\$ 307,416</u>

The sales of goods to KSTC were at cost. However, the sales of goods to KSCC, KSUSA and general customers were at cost plus gross profit. The term of collection was the same as those of unrelated parties with a 90-day term of collection.



c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
KSTC	\$ 96,964	\$ 86,445
Other	<u>24,235</u>	<u>-</u>
	<u>\$ 121,199</u>	<u>\$ 86,445</u>

The purchase price was based on cost of KSTC (general customers were priced at cost plus gross profit), and KSCC's purchase price was at cost plus gross profit and the payment term was the same as those of unrelated parties with a 90-day term.

d. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Notes receivable		
KSTC	<u>\$ 92,527</u>	<u>\$ 88,543</u>
Accounts receivable		
KSTC	\$ 38,586	\$ 30,315
Others	<u>17,031</u>	<u>13,218</u>
	<u>\$ 55,617</u>	<u>\$ 43,533</u>
Other receivables		
KSTC	<u>\$ 3,279</u>	<u>\$ 1,182</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Related Party Category/Name	December 31	
	2019	2018
Notes payable		
KSTC	<u>\$ 26,282</u>	<u>\$ 24,866</u>
Accounts payable		
KSTC	\$ 10,771	\$ 9,584
Others	<u>13,510</u>	<u>-</u>
	<u>\$ 24,281</u>	<u>\$ 9,584</u>
Other payables		
Others	<u>\$ 14</u>	<u>\$ 4</u>

The outstanding payables from related parties were unsecured.

f. Processing revenue

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
KSTC	\$ <u>7,783</u>	\$ <u>6,662</u>

Processing income was based on cost prices, and the receivable term is 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, 2019. The service revenue was \$2,020 thousand and \$1,942 thousand (included in other gains and losses) for the years ended December 31, 2019 and 2018, 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 \$69 thousand and \$107 thousand (included in selling and marketing expenses) for the years ended December 31, 2019 and 2018, 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 \$4,179 thousand and \$2,607 thousand (included in the manufacturing expenses – deduction of salary expense) for the years ended December 31, 2019 and 2018, respectively. In addition, the Company recognized cost amounting to \$496 thousand (included in service expense ) in 2019. The charges were based on the actual manpower and number of hours provided.

j. Other expenses

The Company paid service expenses to KSUSA amounting \$1,766 thousand and \$607 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, 2019 and 2018, respectively.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term benefits (including salaries, compensation or bonuses)	\$ 17,693	\$ 20,879
Post-employment benefits	<u>148</u>	<u>155</u>
	<u>\$ 17,841</u>	<u>\$ 21,034</u>

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	
	2019	2018
a. Unused letters of credit for purchases of raw materials and machinery and equipment	\$ 95,030	\$ 197,248
b. Unrecognized commitments of acquisition of property, plant and equipment	1,038	4,025
c. Contracts for purchases of raw materials		
Total amount	110,885	107,400
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
<hr/> December 31, 2019 <hr/>				
Financial assets				
Monetary items				
USD	\$ 85,131	30.046	(USD:NTD)	\$ 2,557,836
Financial liabilities				
Monetary items				
USD	165	30.046	(USD:NTD)	4,982
<hr/> December 31, 2018 <hr/>				
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

The Company is mainly exposed to US dollar. For the year ended December 31, 2019, net foreign exchange loss was (\$47,910) thousand and for the year ended December 31, 2018, net foreign exchange gain was \$92,337 thousand.

## 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.

	<b>Amount</b>
a) Purchases	
KSCC	<u>\$ 24,235</u>
b) Accounts payables	
KSCC	<u>\$ 13,510</u>

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

	<b>Amount</b>
a) Sales of goods KSCC	<u>\$ 34,808</u>
b) Accounts receivable KSCC	<u>\$ 17,031</u>

- 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 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, 2019  
(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	\$ 291,313	15	90 days after monthly closing	Note	-	\$ 131,113	31	

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, 2019  
(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	Note
					Amount	Actions Taken			
The Company	King Slide Technology Co., Ltd.	Subsidiary	\$ 131,113	2.41	\$ -		\$ 61,744		Note 1
			<u>3,279</u>				-		Note 2
			<u>\$ 134,392</u>				<u>\$ 61,744</u>		

Note 1: The computation of turnover rate was not included in the non-operating receivables which were not from sales of goods.

Note 2: The ending balance was other receivables.

**TABLE 3**

**KING SLIDE WORKS CO., LTD.**

## INFORMATION ON INVESTEES

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

[illegible]



**TABLE 4**

**KING SLIDE WORKS CO., LTD.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 4)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	\$ 157,282	Note 1	\$ 157,282	\$ -	\$ -	\$ 157,282	\$ 232	100.00	\$ 232	\$ 117,414	\$ -	
King Slide Technology (Shenzhen) Co., Ltd.	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.	4,306	Note 2	-	-	-	-	(4)	100.00	(4)	4,302	-	

Investor 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)
The company	\$157,282	\$157,282	\$6,432,322

Note 1: Set King Slide (Hong Kong) Co., Limited in Hong Kong to invest in King Slide Technology (China) Co. Ltd.

Note 2: King Slide Technology (China) Co., Ltd. set up the company in December 2019.

Note 3: Upper limit on the amount of investment in mainland China:  $\$10,720,537 \times 60\% = \$6,432,322$ .

Note 4: The amount was recognized based on the audited financial statements.

King Slide Works Co., Ltd.

Tsung-Chi Lin  
Chairman of the Board