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CHENFULL International Co., Ltd.

2017 Annual Report

Publication Date: May 18, 2018

Company website: <http://www.chenfull.com.tw>

Market Observation Post System:

<http://mops.twse.com.tw>

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Name	Tammy Chen	Tony Yen
Title	Manager	Director
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2, Address and Telephone :

	Address	Telephone
Business Certificate	No.9-1, Ln. 187, Guandong Rd., East Dist., Hsinchu	(03) 579-5556
H e a d q u a r t e r	9F., No.99, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan	(03) 322-0022
Taichung	No.28, Houke S. Rd., Houli Dist., Taichung	(04)2558-8638
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Hsinchu	No.9-1, Ln. 187, Guandong Rd., East Dist., Hsinchu	(03) 579-5556
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D a y u e n	No.29-51, Xucuogang, Nangang Vil., Dayuan Dist., Taoyuan	(03) 386-0035
P e n g h u	No.306, Wukan, Magong City, Penghu No.37-1, Wang'an, Xi'an Vil., Wang'an Township, Penghu	(06) 922-8850 (06) 999-1590

3, Stock Transfer Agent :

Name : President Securities Corp.
 Address : B1F, No.8, Dongxing Rd., Songshan Dist., Taipei
 Website : <http://www.pscnet.com.tw>
 Telephone : (02) 2746-3797

4, Independent Auditor :

Auditor : Deloitte Yi-Hui Lin, CPA and Hui-Ming Chen, CPA
 Address : 12F, No. 156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei
 Website : <http://www.deloitte.com.tw>
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5, Listing of Foreign Securities : none

6, website : [http : //www.chenfull.com.tw](http://www.chenfull.com.tw)

Contents

【 Chapter 1.Letter to Shareholders 】

【 Chapter 2. Company Highlights 】

1. DATE OF INCORPORATION

2. MILESTONES

【 Chapter 3. Organization and Corporate Governance 】

1. ORGANIZATION

2. Profile of Directors, Supervisors, General Manager, Deputy General Manager, Assistant Managers, and Branch Supervisors

3. COMPENSATION TO DIRECTORS AND MANAGEMENT EXECUTIVES

4. Implementation of Corporate Governance

5. Information on Accountants' Fees

6. Alternation of CPA

7. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Having Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise in the last one year

8. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders of 10% or More of Company Shares in the last one year and as of the Date of the Annual Report

9. Information on Relationships among the Top Ten Shareholders in Accordance with IFRS No. 6 Related Party Disclosures

10. Number of Shares of the Same Invested Enterprise Held by the Company, Directors, Supervisors, Managerial Officers, and Enterprises Directly or Indirectly Controlled by the Company and Combined Shareholding Percentage

【 Chapter 4. Financial Information 】

1. CAPITAL AND SHARES

2. CORPORATE BOND ISSUANCE

3. PREFERRED SHARES

4. DEPOSITARY RECEIPT ISSUANCE

5. EMPLOYEE STOCK OPTIONS AND NEW RESTRICTED EMPLOYEE SHARES

6. SHARES ISSUED FOR MERGERS AND ACQUISITIONS

7. USE OF PROCEEDS FROM RIGHTS ISSUE

【 Chapter 5. Operational Highlights 】

1. SCOPE OF BUSINESS

2. MARKET AND SALES OVERVIEW

3. HUMAN RESOURCES
4. ENVIRONMENTAL PROTECTION EXPENDITURE
5. Labour Relations
6. Major Contract

【Chapter 6. Financial Highlights】

1. Most Recent 5-Year Concise Financial Information and CPA and Audit Comments
2. Most Recent 5-Year Financial Analysis
3. Audit Report by Supervisors in 2017
4. Consolidated Financial Statements with Subsidiaries Audited by CPA in 2017
5. Consolidated Financial Statements Stand-alone Audited by CPA in 2017
5. FINANCIAL DIFFICULTIES FOR THE COMPANY AND ITS AFFILIATES

【Chapter 7. Review and Analysis of Financial Conditions, Operating Results and Risk Management】

1. Financial Review and Analysis
2. Performance Review and Analysis
3. Cash Flow Review and Analysis
4. The Effect of Major Expenditures on Finances in 2017
5. Reinvestment Policy in 2016 and Investment Plan for Upcoming Year
6. Risks
7. Other Important Matters

【Chapter 8. Special Notes】

1. Related Information on Affiliates
2. Private Placements of Securities in 2016 and as of the Date of the Annual Report
3. The Company's Shares Disposed of and Held by Subsidiaries in 2017 and as of the Date of the Annual Report
4. Other Necessary Supplements
5. Any Events in 2016 and as of the Date of the Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2, Paragraph 2, Article 36 of Securities and Exchange Act

Chapter 1. Letter to Shareholders

Dear Stakeholders and Investors,

Even suffer by Taiwan dollar great appreciation and lower demand from shoemaking company production line transfer decrease, In 2017, CHENFULL's consolidated revenue decreased 0.9% for the year, from 3.195 billion in 2016 to 3.195 billion dollars and broke off revenue sustain growth record since 2012. By the efforts by CHENFULL's colleagues, the gross margin rate kept above 30% and the EPS reached 4.02.

In 2018, The Precision Science and Technology Department in response to precision components demand growth from flat panel display manufacturing equipment and semiconductor manufacturing equipment will finish the expansion of the Taichung Phase II factory construction in first season. Further expand the precision of components manufacturing capacity and surface treatment process capability. The Machinery Division will combine innovative product development and servitization of manufacturing to enhance brand value, supplemented with the active marketing of new markets and new customers to improve the sales of CHENFENG's shoe machine. The Factory Engineering Division actively develops the secondary piping project both in Taiwan and Mainland China Market. In the effort of strengthening the plant system planning and supply chain management, the sales of material and systems engineering business has been gradually successful. The continuous expansion of major customers will also provide a solid revenue. Based on the above business development, CHENFULL's profit and revenue will be great.

To uphold the business philosophy of honesty, positive, innovative and breakthrough, CHENFULL continuously strengthen organizational insight and motivation. Enhance staff professional skills, develop an independent logical thinking and key behavioral habits. Create a business environment that encourages innovation. Emphasize the key capabilities of every product. Strengthen the core energy of each business. Through the integration of resources and market co-construction strategy expand the economy scale. Continue to create value, and grow together with customers. The above is our core concept for sustainable development.

In 2017, CHENFULL created new value and quickly passed to the customer

reach the scale of EPS exceeded 4 dollars. Looking forward to the future, there are a lot of opportunities and challenges. We will continue to grasp the opportunity and create a sustainable business of happiness.

Alice, Chang
Chairman

7 Operating Result

(1) The results of operating strategy

Unit:NT\$'000

Item	2017		2016		Increase(Decrease)	
	Amount	(%)	Amount	(%)	Amount	(%)
Operating income	3,195,315	100.00	3,224,759	100.00	(29,444)	(0.91)
Operating cost	2,224,089	69.60	2,209,492	68.52	14,597	0.66
Operating margin	971,226	30.40	1,015,267	31.48	(44,041)	(4.34)
Operating profit	606,478	18.98	633,902	19.66	(27,424)	(4.33)
Net profit before tax	581,538	18.20	648,512	20.11	(66,974)	(10.33)
Net profit after tax	474,162	14.84	531,977	16.50	(57,815)	(10.87)
EPS after tax	4.02		4.51			

(2) The implementation of the budget: because the Company does not need to make public the financial projections, it is not applicable..

(3) Financial revenue and expenditure and profitability analysis:

Units: NT\$'000; %

Item		2017	2016	Increase (Decrease)%
Financial revenue and expenditure	Operating income	3,195,315	3,224,759	(0.91)
	Operating margin	971,225	1,015,267	(4.34)
	Net profit after tax	474,162	531,977	(10.87)
Profitability Analysis	Return on assets (%)	9.92	11.54	(14.04)
	Return on equity (%)	14.22	17.01	(16.40)
	Income before Tax to Capital ratio (%)	49.20	54.87	(10.33)
	Net Income Ratio (%)	14.84	16.50	(10.06)
	Earnings per share (NT\$)	4.02	4.51	(10.87)

(4) Research and development status:

As a system manufacturer with a large number of professional high-tech factories in Taiwan, our company has many achievements in research and development as a result of more than 20 years' experience. The project targets are well-known domestic semiconductor companies and optoelectronic manufacturers plant. In the future, we will continue to explore and develop products that meet the requirements of various projects and enhance the performance of the project. In addition, since the shoemaking machinery and precision technology industries which have entered the market in September, 2006 due to mergers and acquisitions, our professional technology coupled with its well-developed R & D team of high-quality technology research and development team, continued to develop and innovate in response to the rapidly changing market demand.

Future research and development work, focusing on the following goals:

1. Develop new products and services to help customers streamline and consolidate existing processes to move towards intelligent manufacturing to reduce the dependence on customers.
2. To enhance the cost-effectiveness of existing products and services and maintain the level of leading competitors.
3. The establishment of precision components integrated manufacturing specification program, as a demand confirmation, specification and process of effective control of the basis to enhance quality control and manufacturing efficiency.

To sum up, the Company has won the trust of its peers and customers in terms of industry, profitability, production and R & D technologies. In the future, how to fully capitalize business opportunities and maximize profits for shareholders in the ever-changing market competition are the key factors for the Company. The goal of all efforts.

2. The current year (2018) operating plan summary

(1) Management policy

1. Focus on the company's precision components integrated manufacturing services, footwear machinery, plant engineering and desalination plant operations, and deep plowing in these areas of core technologies.
2. Actively integrate these core technologies to develop different products and services, and expand them to different customers to expand their business externally.
- 3 combined with innovative product development and manufacturing services,

enhance brand value.

4. Actively engaged in internal reforms to create a business environment that encourages innovation, investing in the experience of the revitalization organization to stimulate the development of new products and services, and continuously strengthening product development and customer service with a view to implementing the Company's pursuit of the maximum value strategy of customers and deepening long-term competition force.

(2) expected sales plan

The Company expects revenue targets for the year of 2018 mainly include projects such as plant system engineering, desalination, shoemaking machinery and equipment, aerospace industry, optoelectronics, semiconductors, vacuum chamber equipment and industrial cooperation and development projects with American Aerospace University. Among them, the factory system engineering department was designed according to the customer's demand, and the business condition maintained steady growth. The desalination system was estimated according to the contractual water production capacity. The shoe-making machine equipment, aerospace industry, vacuum chamber and other equipment and industrial cooperative development products, The estimated sales for the year are based on the actual sales volume for 2017 and the current demand trend of the related industries, and the current situation of orders is estimated.

3. Important policy of production and marketing

1. The second phase of the construction of Taichung Factory, expanding precision components manufacturing energy.
2. To enhance the success rate of the first piece of development and to broaden the cooperation with suppliers to effectively shorten the delivery period in response to the rapidly changing business cycle.
3. With effective product development, high-quality manufacturing, timely application of technology and services to provide overall solutions to shoe-making, deepen the cooperation between customers.
4. Expansion of material sales channels, strengthening of plant management system planning and supply chain management, deep plowing secondary piping project, expanding materials sales and systems engineering business.
5. Stabilize desalination plant operation and water supply, the cumulative desalination project and operational energy.

3. The future development strategy of the company

(1) Engineering:

1. Focus on niche engineering areas:

- (1) The secondary piping of the factory service facilities and the rectification project in the factory are the main business spindles, and the smart exhaust gas treatment system works are auxiliary.
- (2) Expand sales of materials and engineering services and strategic cooperation with complementary partners.
- (3) In response to the semiconductor factory construction boom, expands system engineering business.

2. Deep Engineering Core Competence:

- (1) Project management and project integration.
- (2) Enhancing the coordination between production and sales, material preparation and strengthening cooperation with third parties to quickly respond to changes in customer needs.

(2) Machinery Business:

- 1. Combining with product development, manufacturing, application technology and sales service, "Perfecting Your Shoes" is our goal to provide the best shoe-making solution and expand business scope.
- 2. Actively combine the leading manufacturers of shoe-making to develop the shoe-making machinery and equipment required by the intelligent production system.
- 3. Remove the manufacture of low-end models in the factory and replace them with manufacturing, freeing up energy to manufacture new products and upgrading the overall manufacturing energy.
- 4. Relocation and enhancement of the energy and service areas of the service base in response to the relocation of shoemaking factories manufacturing base.

(3) Precision Technology:

- 1. Continue to strengthen the system integration, quality assurance and manufacturing systems to enhance the value of products and services to customers.
- 2. Expanding outsourced energy and strengthening supply chain management to increase the number of customer-owned components and projects.

4. The impact of the external competition environment, legal environment and the overall business environment

Due to the increasingly fierce competition in the external environment and

the increasing awareness of environmental protection, the Company actively introduces resources for recycling and re-use of resources in the development of new products, thus saving energy and reducing carbon emissions to positively connect environmental improvement and economic efficiency.

(1) Engineering: Focus on niche projects to reduce risks and increase contractual opportunities.

(2) Machinery and precision technology: In response to the increase in demand, the products and services provided by the Company have a competitive edge in the market, and the expansion of production capacity through the supply chain is currently the most needed work.

Overall, the Company is committed to excel in its business areas and continuously pursues quality improvement and application expansion to reduce the impact of changes in the external competitive environment, regulatory environment and overall business environment.

Chapter 2. Company Highlights

Date of Incorporation

The Company was incorporated on April 28, 1982

Milestones

- **1982:** ChenFull International Co., Ltd. was founded
- **1990:** Dayuan Factory 1 was completed and opened
- **1994:** Taoyuan Headquarters was completed and opened
- **1999:** Taoyuan Factory passed the certification of FM class 4922
- **2000:** Passed the certification of ISO 9002
- **2002:** Mr. Hsu, Chih-Hung, the chairman, was awarded the 25th Youth Career Development Model
Passed the certificate of ISO9001-2000
Created ChenFull Electromechanical Technology (Kunshan) Co., Ltd.
- **2004:** Became a listed company
- **2005:** Established the Energy and Water Resource Division
- **2006:** Passed the certification of OHSAS 18001:1999
Passed the certification of USA applied materials
Merged ChenFeng Machinery & Enterprise Co., Ltd into ChenFull International Co., Ltd.
Gained technology transferred from schoen-sandt machinery GmbH

Important events of ChenFeng Machinery Business Unit

- 1976: ChenFeng Hydraulic Machinery Co., Ltd was established
- 1990: Won the Golden Dragon Award of the 1st Domestic Made Excellent Machine
Moved to the current place at No. 21-12, Longsing Ln., Sec. 2 Fongsing Rd.,
Tanzih, Taichung, Taiwan
- 1983: Mr. Zhang, Muxiong, the founder, was selected as the Career Development Youth Model
- 1985: Cooperated with Canada BATA company to develop and produce the first rotary two-color sole auto injection molding machine in Asia
- 1986: Engaged in domestic aeronautic manufacturing to manufacture mental components for airplane body and engine
- 1991: Won the 3rd Golden Dragon Award of the 3rd Domestic Made Excellent Machine
Established Aeronautic Business Division
- 1993: Won the 2nd National Award of Outstanding Small and Medium Enterprises,

ROC

- 1994: Passed the certification of McDonnell Douglas Aerospace Company and stepped into International aerospace manufacturing.
- 1995: The shoemaking machinery won the Excellent Product Design Award granted by the Foreign Trade Association of the Ministry of Economic Affairs
Passed the certification of United Signal Client
Won the Huge Dragon Award of Chinese National Industry and Commerce
Established Precision Casting Business Division
- 1996: Passed the certification of ISO9002 Quality Control System
Won the International Golden Globe Award of Taiwan Excellent Export Product
- 1997: Shoemaking machinery won the Taiwan Excellence Award granted by the Ministry of Economic Affairs
- 1998: Passed the certification of the Monitor Aerospace Corporation (MONITOR)
Passed the certification of the Sikorsky Aircraft Company
Passed the certification of Northrop Grumman Company
- 1999: Shoemaking machinery won the Taiwan Excellence Award granted by Ministry of Economic Affairs again
Won the 7th Excellent Technological Development Award granted by the Ministry of Economic Affairs
Passed the certification of ISO/IEC 17025 quality control system
- 2000: Won the 1st Industrial Excellence Award granted by the Ministry of Economic Affairs
- 2001: Passed CE certification for shoemaking machinery
- 2003: Passed the certification of ISO 9001: 2000 quality control system
- 2005: Passed the certification of AS9001 Aerospace Quality System
- 2006: Merged into ChenFull International Co., Ltd, and became the Machinery Business Unit of ChenFull

- **2007:** Passed AIDC S-400 certification of Aerospace Industrial Development Corporation
Gained the "Desalination Plant Building and Operating Plan of Makung 7,000 Tons and 5,500Tons, and Wangan 400 Tons Built Out by Private Participators" at BTO
- **2008:** Established the Waipu Factory in 2008
Established the Welding Factory, which is only one of manufacturers capable of welding the vacuum chamber plate of aluminum alloy.
- **2009:** Winner of Deloitte Technology Fast 500
Passed ISO 9001: 2008 quality control system
- **2010:** Started building the Houli Factory of Central Taiwan Science Park
Won the 19th Taiwan Excellence Award

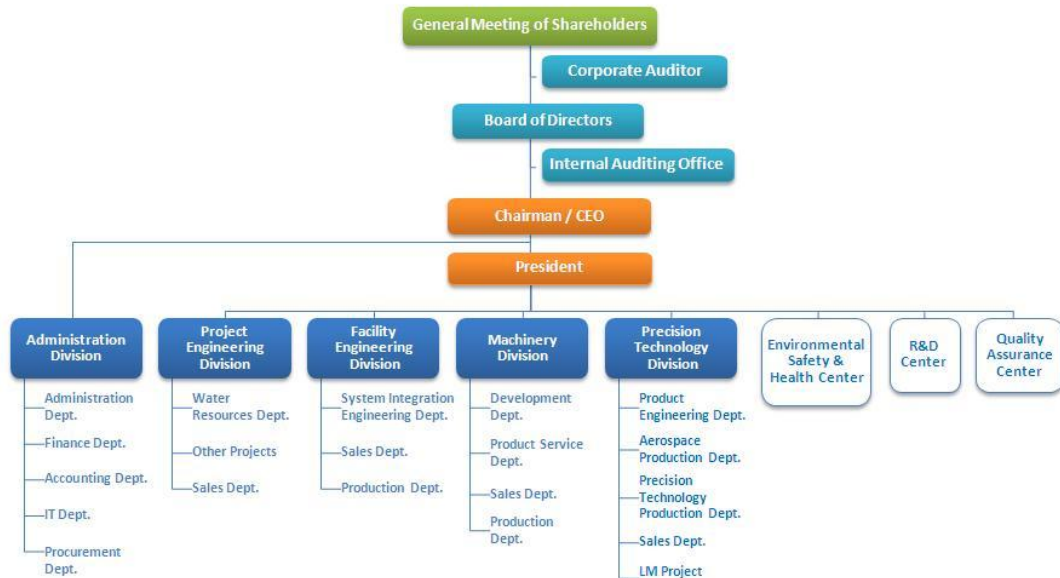
- **2011:** Dayuan Factory 2 was completed and opened
 Received the ATF Certificate of USA AWS, it is the first one to have such certification.
 Established ChenFeng Machinery (Dongguan) Co., Ltd.
 Established ChenFeng Machinery (Indonesia) Co., Ltd.
 Cooperated with Feng Chia University to set up the Automatic Shoemaking Technology R&D Center jointly.
 Establishment of Branch Company in Central Taiwan Science Park.
- **2012:** Completion of Construction of Branch factory in Central Taiwan Science Park.
 BOT Project –The 5500 tons Desalination Plant in Makong was officially put in operation.
- **2013:** New Product "Fiber Drink officially launched in July.
- **2015:** The Board of Directors approved the expansion of Zhongke Plant.
 Penghu Desalination Plant received ISO 9001-2008 and ISO14001-2004 certification.
- **2016:** Received "Labor Model Award" by Workforce Development Agency, Ministry of Labor, Taichung-Changhua-Nantou Regional Branch.
 Received the "National Defense Industry Contribution Award" by the National Chung-Shan Institute of Science & Technology
 Passed ISO9001-2015 version of the certification
- **2017:** Expanded the Taichung Phase II factory construction

Chapter 3. Organization and Corporate Governance

1.Organization

(1)Organization Chart

April 1, 2018



2. Divisional Scope of Responsibilities

Division	Scope of responsibilities
Internal Audit Office	Audit of the Company and its subsidiaries Make recommendations for improvement
Administration Division	Comprehensive management of human resources, employee relations, education and training General affairs and legal services.
Information Division	Responsible for the planning of IT operations, promote and manage hardware and software Provide professional and technical services.
Finance Division	Treasury management Monitor investments and subsidiaries' business activities Finance-related project evaluation, planning and execution
Accounting Division	Accounting information management Tax planning and compliance Preparation of financial reports
Procurement and Logistics Division	Procurement policy and system planning Procurement-related activities, contract negotiations and signing
Supply Chain Center	Responsible for plant engineering production, storage and transportation operations (including purchase, inventory, production line materials, receipts, semi-finished products storage, cost inventory, shipping management, etc.)
Projective Engineering Division	Responsible for plant engineering related to the system integration planning, design, construction, installation, testing and after-sales service and other activities.
Facility Engineering Division	Responsible for the shoemaking machinery, cutting machinery and other industrial machinery R & D, sales, production, customer service and other activities.
Precision Technology Division	Responsible for R & D, sales, production, customer service and other activities related to the precision machining of aerospace, semiconductor, optical and vacuum chamber components and other metal mechanism products.
R&D Center	R & D resources to develop co-ordination and direction of research and development, and technical support necessary to integrate research and development, manufacturing.
Quality Assurance Center	The implementation of the objectives of quality control plan, comprehensive quality management system operations and quality management related issues.
Environmental Safety and Health Office	Occupational safety and health management Environmental protection and site area safety management Workplace health promotion

3.Board of Directors and Executive Management

(1)Board of Directors and Supervisors

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Alice, Chang	Female	2015.06.24	1982.04.28	14,091,180	11.92 %	14,252,180	12.06 %	1,338	-	REGIS UNIVERSITY MBA Vice CEO, CHEN FULL International co. ,Ltd	CEO, CHENFULL International co. ,Ltd Chairman, CHENFENG Machinery & Enterprise Co., Ltd Chairman, CHENFULL Water Resource Co., Ltd Director, Yi Quan Investment Co., Ltd. Director, CHENG JIA Investment Co., Ltd. Director, CHENFULL	Supervisor Director	Mu-Xiong, Zhang Jia-sheng Xu	Brother Mother

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
												Holding Co.,Ltd. Director, NEW OPPORTUNITY LIMITED Chairman, CHENFENG Machinery (Dongguan) Co., Ltd.			
Director	Zhi-Ming, Lai	Male	2015.06.24	2015.06.24	347,872	0.29%	507,872	0.43%	330,000	0.28%	College of Electrical Engineering and Computer Science, NCKU Vice Director, Taiwan Semiconductor Manufacturing Company President, CHENFENG Machinery & Enterprise Co.,	President& Director, CHENFENG Machinery (Dongguan) Co., Ltd. President, CHENFULL HOLDING CO.,LTD Director, CHENFULL Water Resource Co.,	—	—	—

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
											Ltd	Ltd Director, CHENFENG Machinery & Enterprise Co., Ltd			
Director	Chia-Shen , Hsu	Female	2015.06.24	2012.06.13	4,542,388	3.84%	5,005,388	4.23%	-	-	Glion Institute of Higher Education Switzerland, Post Graduate Diploma of Hospitality	Chairman, Yi Quan Investment Co., Ltd. Supervisor, CHEN JIA Investment Co., Ltd.	Chairman Supervisor	Alice, Chang Mu-Hsiung, Chang	Mother Cousin
Director	Yi-Chuan Investment Co., Ltd		2015.06.24	2012.06.13	2,890,976	2.45%	2,890,976	2.45%	-	-	-	-	—	—	—
	Chia-Chien Hsu	Male	2015.06.24	2015.06.24	4,671,191	3.95%	5,028,000	4.25%	-	-	Thunderbird School of Global Management, Master of Global Management	Chairman, CHEN JIA Investment Co., Ltd. Supervisor, Yi Quan Investment Co.,	Chairman Supervisor	Alice, Chang Mu-Hsiung, Chang	Mother Cousin

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
												Ltd.			
Independent Director	Yu-Kuang, Hsing	Male	2015.06.24	2015.06.24	-	-	-	-	-	-	Chairman, Aerospace Industrial Development Corporation (AIDC) President, Taiwan Styrene Monomer Corporation Scientist, Sino-Swearingen Aircraft Co. Vice President, Air Asia Company Limited	Independent Director, Air Asia Company Limited	-	-	-

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minors' shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Zhao-Jie Lin	Male	2015.06.24	2015.06.24	-	-	-	-	-	-	Chairman, Footwear& Recreation Technology Research Institute Chairman, Taiwan Footwear Manufactures Association Director, R.O.C. Foreign Trade Association	Chairman, Shen Long Plastic Processing Co., Ltd.	None	None	None
Independent Director	Shan-Shan Xiao	Female	2015.06.24	2015.06.24	8,120	0.01%	8,120	0.01%	-	-	Director, Ability opto-Electronics Technology Co., Ltd	Chairman, Shuai Chang Enterprise Co., Ltd. Director, Taichung Culture and Education Foundation Director, National Museum of Natural Science Culture and	None	None	None

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
												Education Foundation Taichung First Senior High School Education Foundation Director, National Chin-Sui High School Scholarship Foundation Director, Xiao-ming High School Education Foundation			
Supervisor	Mu-Hsiung, Chang	Male	2015.06.24	1982.04.28	1,089,339	0.92%	839,339	0.71%	167,084	0.14%	Yang Mei Senior High School Chairman, Vice Chairman, CHENFENG Machinery & Enterprise Co., Ltd Chairman,	None	Chairman Vice President Vice President	Alice, Chang Yin-Qun Yong-Hui Chang	Sister Father Father

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
											CHENFULL International co., Ltd				
Supervisor	Mei-Hung, Chang	Female	2015.06.24	2003.07.01	-	-	-	-	-	-	Taipei Medical University Director, Lin-Tung Culture & Education Foundation Director, Lin-Horn Technology Director, CHENFENG Machinery (Dongguan) Co., Ltd Director, Lin-Tung High School	Director, Lin-Horn Technology Director, CHENFENG Machinery (Dongguan) Co., Ltd Director, Lin-Tung High School	None	None	None
Supervisor	Xue-Zhen, Wu	Female	2015.06.24	2015.06.24	758,412	0.64%	780,412	0.66%	6,436	0.01%	Lin Tung University Director, CHENFULL Water Resource co., Ltd Director, CHENFENG Machinery & Enterprise Co., Ltd Chairman,	Supervisor, CHENFULL Water Resource co., Ltd Supervisor, CHENFENG Machinery & Enterprise Co., Ltd	Chairman Supervisor	Alice, Chang Mu-Hsiung, Chang	Aunt Brother-in-law

Title	Name	Gender	Date elected	First elected date	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
											Li-Sheng International Co., Ltd Director, Zhen-Heng Enterprise Corporation				

(2)Major shareholders of CHENFULL's institutional investors December 31, 2017

Institutional investor	Major shareholders
Yi Quan Investment Co., Ltd.	Alice, Chang 28% Zhi-Hong, Xu 28% Chia-Shen, Hsu 22% Chia-Chien, Hsu 22%

(3) The main shareholder of corporation shareholder is corporation representative: Not applicable.

(4)Information of Directors

Name	Condition	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note)										No. of Public companies in which he/she serves as Director
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, 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 professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business	1	2	3	4	5	6	7	8	9	10	
Alice, Chang			✓									✓	✓	None	
Zhi-Ming Lai			✓			✓	✓	✓			✓	✓	✓	None	
Chia-Shen, Hsu			✓									✓	✓	None	
Yi Quan Investment Co., Ltd (Chia-Chien, Hsu)			✓									✓	✓	None	
Yu-Kuang, Hsing			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Zhao-Jie Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Shan-Shan Xiao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Mu- Hsiung, Chang			✓	✓	✓	✓		✓	✓	✓		✓	✓	None	
Mei-Hung, Chang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None	
Xue-Zhen, Wu			✓	✓		✓		✓	✓	✓		✓	✓	None	

Note: ✓ indicates qualified Directors during the two years before being elected or during the term of the appointment.

(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. (Unless the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more

than 50 percent of the voting shares.)

(3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total

outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders

in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial,

accounting or consulting services to the company or to any affiliates of the company.(Unless a member of the remuneration committee who has exercised Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter")

(8) Not a spouse or relative within the second degree of kinship of any directors.

(9) Not have any of the circumstance in the subparagraphs of Article 30 of the Company Act.

(10)Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

5. Directors and supervisors education and training:

Title	Name	Date	Organizer	Course Title	Training hours
Chairman	Alice, Chang	2017.10.16	Taiwan Listed Companies Association	The Trend of Finance and Economics under Anti-globalization vs. Globalization	3
		2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Director	Zhi-Ming Lai	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Director	Chia-Shen, Hsu	2017.11.15	Securities& Futures Institute	Development Trends and Practice Cases of Mergers and Acquisitions	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Director	Yi Quan Investment Co., Ltd (Chia-Chien,	2017.03.28	Taiwan Institute of Directors	The Online Economy is the Right Way - Industry Thinking and Challenges	3
		2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and	3

	Hsu)			Acquisition Process	
Independent Director	Yu-Kuang, Hsing	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Independent Director	Zhao-Jie Lin	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Supervisor	Shan-Shan Xiao	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Supervisor	Mei-Hung, Chang	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3
Supervisor	Xue-Zhen, Wu	2017.11.02	Securities& Futures Institute	Discussion on the Integration of Human Resources and M & A in the Merger and Acquisition Process	3
		2017.12.13	Securities& Futures Institute	How to strengthen corporate governance through corporate governance assessment to create corporate value	3

2.President, Vice Presidents, Senior Directors and Department Heads:

Title	Nationality	Name	Gender	Effective date	Shareholding		Spouse's/minor's shareholding		Shares held in Name of Others		Education and experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
					Shares	%	Shares	%	Share s	%			Title	Name	Relation

Title	Nationality	Name	Gender	Effective date	Shareholding		Spouse's/minor's shareholding		Shares held in Name of Others		Education and experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	R.O.C.	Alice, Chang	Female	2012.07.02	14,252,180	12.06%	1,338	-	-	-	REGIS UNIVERSITY MBA - Vice CEO, CHENFULL International CO., LTD.	1.Chairman, CHENFENG Machinery& Enterprise Co., Ltd 2. Chairman, CHENFULL Water Resource Co., Ltd. 3. Director, Yi- Quan Investment Corporation 4. Director, Cheng- Jia Investment Corporation 5.Director, CHENFULL HOLDING CO., LTD. 6.Director, NEW OPPORTUNITY LIMITED 7 Chairman, CHENFENG Machinery (Dongguan) Co., Ltd	Supervisor Director	Mu-Hung, Zhang Chia-Shen, Hsu	Brother Mother
President	R.O.C.	Zhi-Ming Lai	Male	2012.07.02	507,872	0.43%	330,000	0.28%	-	-	College of Electrical Engineering and Computer Science, NCKU Vice Director, Taiwan Semiconductor Manufacturing Company President, CHENFENG Machinery & Enterprise Co., Ltd	President& Director, CHENFENG Machinery (Dongguan) Co., Ltd. President, CHENFULL HOLDING CO.,LTD Director, CHENFULL Water Resource Co., Ltd Director, CHENFENG Machinery & Enterprise Co., Ltd	None	None	None
Vice president	R.O.C.	Ying-Qun, Chang	Male	2009.04.01	350,911	0.30%	-	-	-	-	Master of Multimedia Design, Institute of Sydney University, Australia President, Mesh Design, Creative Idea Leads	None	Supervisor	Mu-Hsiung, Chang	Father
Vice president	R.O.C.	Ming-Cun, Lai	Male	2012.07.02	104,012	0.09%	5,000	-	-	-	Qinyi University Management Master - Senior Director, CHENFENG Machinery& Enterprise Co., Ltd	None	None	None	None

Title	Nationality	Name	Gender	Effective date	Shareholding		Spouse's/minor's shareholding		Shares held in Name of Others		Education and experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice president	R.O.C.	Yong-Hui, Chang	Male	2012.07.02	80,000	0.07%	-	-	-	-	NYIT Senior Director, Juniper Networks	None	Supervisor	Mu-Hsiung, Chang	Father
Accounting Management	R.O.C.	Yi-Hua, Chen	Female	2012.07.02	33,635	0.03%	-	-	-	-	Department of Accounting, Tamkung University Manager, FSP Group, Accounting Division	None	None	None	None
Finance Management	R.O.C.	Shu-Chu, Chen	Female	2008.09.01	8,817	0.01%	-	-	-	-	National Central University EMBA Vice Manager, Zenitron corporation, Finance Division	None	None	None	None
Chief Auditor	R.O.C.	Ya-Hui, Chen	Female	102.05.15	-	0.00%	-	-	-	-	Feng Chia University Accounting Graduate School Leader, PAN-CHINA(TW) CPAs	None	None	None	None

3. Remuneration to Directors, Supervisors, President, and Vice Presidents

(1) Remuneration to Directors

Title	Name	Remuneration to Directors								(A+B+C+D) Percentage of net income after tax (%)	Remuneration to Concurrent Employment								A+B+C+E+D+F+G) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary	
		Compensation (A)		Pension Fund(B)	Directors remuneration (C)		Operating allowance (D)		Salary, bonus, special allowance (E)		Pension Fund (F)(Notte)		Remuneration to employees (G)									
		The Company	consolidated	The Company	consolidated	consolidated	The Company	consolidated	The Company	consolidated	The Company	consolidated	The Company	consolidated	The Company	consolidated	Cash Amount	Stock Amount	Cash Amount	Stock Amount		The Company
Director	Alice, Chang	-	-	-	-	2,800	2,800	115	115	0.61%	0.61%	6,932	6,932	216	216	1,719	-	1,719	-	2.48%	2.48%	None
Director	Zhi-Ming, Lai																					
Director	Chia-Shen, Hsu																					
Independent Director	Chao-Chieh, Lin																					
Independent Director	Yu-Kuang, Hsing																					
Independent	Shan-Sh																					

Director	an, Hsiao																			
Director	一全投資 (股)公司 (代表 人: Chia- Chien, Hsu)																			

* In addition to the above table reveal, the most recent year for directors to serve all companies in the financial reports (such as the case of non-consultant employees as of, etc.) receive remuneration: None.

Note: No actual payment for the current period, all of which are legally included in the pension.

Escalation for Remuneration to Directors

Escalation for remuneration paid to individual directors of the Company (NTD)	Name of Directors			
	Total of(A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Less than 2,000,000	Alice, Chang, Zhi-Ming, Lai, Chia-Shen, Hsu, Chao-Chieh, Lin, Yu-Kuang, Hsing, Shan-Shan, Hsiao, Yi Quan Investment Co., Ltd (Chia-Chien, Hsu)		Chia-Shen, Hsu, Chao-Chieh, Lin, Yu-Kuang, Hsing, Shan-Shan, Hsiao, Yi Quan Investment Co., Ltd(Chia-Chien, Hsu)	
2,000,000~5,000,000 (inclusive of 2,000,000)			Alice, Chang, Zhi-Ming, Lai	
5,000,000~10,000,000 (inclusive of 5,000,000)				
10,000,000~15,000,000 (inclusive of 10,000,000)				
15,000,000~30,000,000 (inclusive of 15,000,000)				
30,000,000~50,000,000 (inclusive of 30,000,000)				
50,000,000~100,000,000 (inclusive of 50,000,000)				
More than 100,000,000				
Total	7	7	7	7

(2)Remuneration to Supervisors

2017/12/31 NT\$'000										
Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation(A)		Pension Fund(B)		Operating allowance (C)				
		The Company	consolidated	The Company	consolidated	The Company	consolidated	The Company	consolidated	
Supervisor	Mu-Hsiung, Chang	-	-	1,200	1,200	70	85	0.27%	0.27%	None
Supervisor	Mei-Huang, Chang									

2017/12/31 NT\$'000

Supervisor	Hsueh-Chen, Wu									
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Escalation for Remuneration

Escalation for remuneration paid to individual supervisor of the Company (NTD)	Name of Supervisor	
	Total of(A+B+C)	
	The Company	All companies in the consolidated statement(D)
Less than 2,000,000	Mu-Hsiung, Chang, Mei-Huang, Chang, Hsueh-Chen, Wu	Mu-Hsiung, Chang, Mei-Huang, Chang, Hsueh-Chen, Wu
2,000,000~5,000,000 (inclusive of 2,000,000)		
5,000,000~10,000,000 (inclusive of 5,000,000)		
10,000,000~15,000,000 (inclusive of 10,000,000)		
15,000,000~30,000,000 (inclusive of 15,000,000)		
30,000,000~50,000,000 (inclusive of 30,000,000)		
50,000,000~100,000,000 (inclusive of 50,000,000)		
More than 100,000,000		
Total	3	3

(3) Remuneration Paid to President and Vice Presidents

2017/12/31 NT\$'000

Title	Name	Compensation(A)		Pension Fund(B)		Bonus and special allowance(C)		Bonus to employees from distribution of earnings(D)				(A+B+C+D)Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		The Company	consolidated	The Company	consolidated	The Company	consolidated	The Company		consolidated		The Company	consolidated	
								Cash amount	Share amount	Cash amount	Share amount			
CEO	Alice, Chang	10, 327	10, 327	589	589	1, 929	1, 929	2, 726	-	2, 726	-	3. 28%	3. 28%	None
President	Zhi-Ming, Lai													
Vice President	Ying-Chun, Chang													

Vice President	Yung-Hui, Chang													
Vice President	Ming-Tsun, Lai													

Escalation for Remuneration

Escalation for remuneration paid to individual President and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents	
	The company	All companies in the consolidated statement(E)
Less than 2,000,000		
2,000,000~5,000,000 (inclusive of 2,000,000)	Alice, Chang, Zhi-Ming, Lai, Ying- Chun, Chang, Yung-Hui, Chang, Ming-Tsun, Lai	
5,000,000~10,000,000 (inclusive of 5,000,000)		
10,000,000~15,000,000 (inclusive of 10,000,000)		
15,000,000~30,000,000 (inclusive of 15,000,000)		
30,000,000~50,000,000 (inclusive of 30,000,000)		
50,000,000~100,000,000 (inclusive of 50,000,000)		
More than 100,000,000		
Total	5	5

(4) Remuneration to President, Vice President and Senior Director

2017/12/31 Unit:NT\$'000

	Title	Name	Share amount	Cash amount	Total	Percentage of Net income after tax (%)
Executive Officer	CEO	Alice, Chang	-	3,069	3,069	0.65%
	President	Zhi-Ming, Lai				
	Vice President	Ying-Chun, Chang				
	Vice President	Yung-Hui, Chang				
	Vice President	Ming-Tsun, Lai				
	Assistant Vice President	Yang Binhuang				
	Assistant Vice President	Liu Mingqing				
	Assistant Vice President	Lin Lingkai				
	Accounting manager	Yi-Hua, Chen				
	Financial manager	Shu-Chu, Chen				

(5) Comparison and analysis of the total remuneration paid to directors, supervisors, president and vice president of the Company and all the companies in the consolidated financial statements for the last two years after analysis of the net profit after tax and the policies, standards and combinations of remuneration paid, Relevant procedures for setting remuneration and operating performance and future risks

1. Analysis of the proportion of total remuneration paid to the directors, supervisors, president and vice president of the Company in the latest two years as a percentage of net profit after taxation:

Unit:NT\$'000

Title	2016	2017
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	Compensation	net income after tax	Percentage of net income after tax	Compensation	net income after tax	Percentage of net income after tax
Director(Note1)	3, 015	531, 977	0. 56	2, 915	474, 162	0. 62
Supervisor(Note2)	1, 315	531, 977	0. 25	1, 285	474, 162	0. 27
President& Vice President(Note3)	16, 646	531, 977	3. 13	15, 571	474, 162	3. 28
Total	20, 976	531, 977	3. 94	19, 771	474, 162	4. 17

(Note 1): Directors' remuneration s are calculated as follows:

A. Year 2016: Fare paid for 2016 Traveling expenses and directors' remuneration passed for 2016 by the board of directors.

B. Year 2017: Fare paid for 2017 Traveling expenses and directors' remuneration passed for 2017 by the board of directors.

(Note 2): The supervisor remuneration is calculated as follows:

A. Year 2016: Fare paid for 2016 Traveling expenses and directors' remuneration passed for 2016 by the board of directors.

B. Year 2017: Fare paid for 2017 Traveling expenses and directors' remuneration passed for 2017 by the board of directors..

(Note 3): The remuneration of the president & vice president is calculated as follows:

A. Year 2016: Year 2016 to pay salaries and bonuses, and year 2016 the Board of Directors proposed distribution of compensation and submitted to the 2017-year regular meeting.

B. Year 2017: Year 2017 to pay salaries and bonuses, and year 2017 the Board of Directors proposed distribution of compensation and submitted to the 2018-year regular meeting

2. The Company's policies, standards and combinations for the payment of remuneration, the formula for setting remuneration and the relationship between it's performance and future risks:

The policy of payment of directors' supervisors' remuneration is set out in the articles of association of the Company and approved by the shareholders' meeting. The remuneration of President& Vice President depends on their individual performance and their contribution to the overall operation of the Company. The remuneration is distributed and the operating performance and the future risk have a certain degree of correlation.

4. Corporate Governance Executive Status

(1)Executive Status of the Board of Director

Holding 5 times (A) of the Board Meeting, and the attendance status of Board of Directors in the Year 2017 :

Title	Name	Times of attendance	Times of attendance	Actual Percentage of	Remark
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		(B)	by Proxy	Attendance(%) 【 B/A 】	
Chairman	Alice, Chang	5	0	100%	
Director	Zhi-Ming, Lai	5	0	100%	
Director	Yi-Chuan Investment Corporation	2	3	40%	
Director	Chia-Shen, Hsu	3	2	60%	
Independent Director	Yu-Kuang, Hsing	5	0	100%	
Independent Director	Chao-Chieh , Lin	5	0	100%	
Independent Director	Shan-Shan, Hsiao	3	2	60%	
Supervisor	Mu-Hsiung, Chang	4	0	80%	
Supervisor	Mei-Huang, Chang	4	0	80%	
Supervisor	Hsueh-Chen , Wu	4	0	80%	

Other matters of importance:

- Any circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the Directors meetings that are objected by Independent Directors or subject to qualified opinion and recorded or declared in writing including dates of meetings, sessions, the contents of motions, all independent opinions and the Company's response to such Independent Directors' opinion : None.
- Any Directors avoidance of motions due to conflict of interests, including the Directors' names, the content of the motions and the causes for avoidance and voting: None.
- In recent years, a number of actions have been made to improve the functions of the Board of Directors, including the establishment of the Audit Committee, and the strengthening of the disclosure of information. Evaluating these:
 - The Company was approved by the shareholders' meeting on June 15, 2007 through the "Procedures for the Board of Directors of the Public Offering Company" to set forth the "Procedures for the Board of Directors" to comply with the requirements. Attendance at the Market Observation Post System The major resolutions of the Board of Directors were disclosed on the Company's website.
 - Since June 3, 2009, the Company has established independent directors to participate in the operation of the board of directors and strengthen corporate governance.
 - The Company has established a remuneration committee with effect from December 29, 2011 onwards, which is responsible for regularly evaluating the policies and systems on performance and salary remuneration of directors, supervisors and managers.

(4) The self-contained financial statements of the Company are regularly submitted to the board of directors and entrusted by Deloitte to audit the visas on a regular basis. All information required by the Act is publicized according to relevant regulations and a designated person is responsible for the company information. The collection and disclosure of work, the establishment of a speech system to ensure that all major information in a timely manner allowed exposing.

(2) Execution Status of the Audit Committee or the Supervisors' Participation in the Board Meetings:

1. Audit Committee operation: Not applicable
2. Supervisors participate in the operation of the board of directors:

Holding 5 times (A) of Board Meeting, the attendance status of Supervisor in the Year

Title	Name	Times of attendance (B)	Actual Percentage of Attendance (%) 【 B/A 】	Remark
Supervisor	Mu-Hsiung , Chang	4	80%	
Supervisor	Mei-Huang , Chang	4	80%	
Supervisor	Hsueh-Che n, Wu	4	80%	

1. Composition and responsibilities of supervisor:

(1) Communication among supervisor, employees and shareholders: The supervisor should exercise the right of supervision in due time, communicate with the employees and shareholders of the Company as needed in due time, supervise people to inspect the internal audit report and track the internal control and internal audit of the Company Implementation situation. Another supervisor has to establish the relevant communication channel through the audit room and the chairman's office.

(2) Communication among supervisors and the Company's Chief Auditor and CPA: The supervisor regularly communicates with the CPA for the financial report and the newly issued accounting principles. The auditor regularly reports the audit report to the supervisor and the supervisor regularly review the implementation of the Company's financial operations and request management for clarification.

2. If the supervisor attends the board meeting, the board of directors shall state the date and period of the board meeting, the contents of the proposal, the resolution of the board of directors and the company's handling of the supervisor's opinions: No such case.

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for CHENFULL International Co., Ltd" and Reasons
	Yes	No	Illustration	
(1) Does the Company stipulate and disclose "Corporate Governance Principle" based on "Corporate Governance Best-Practice Principles for CHENFULL International Co., Ltd"?	V		The Company has established said "Corporate Governance Best-Practice Principles for CHENFULL International Co., Ltd" and published them on the Company's official website and market observation post system (MOPS).	None

(2) Ownership Structure and Shareholders' Equity				
2-1 Has the company established internal SOP to handle suggestions, doubts, disputes and lawsuits from shareholders, and act in accordance with it?	V		(1)The Company has spokespersons, acting spokespersons and special representatives of the Company handling such matters as shareholders' suggestions or disputes and exposing the contact information of the Investor Relations Zone at the Company's official website.	None
2-2 Has the company identified major shareholders and/ or their ultimate controlling parties?	V		(2) The Company appoints a specialized unit of accounting and keeps a list of the ultimate controllers of the substantial shareholders and the substantial shareholders.	None
2-3 Has the company set up and executed risk control mechanisms and firewalls between the Company and its affiliated companies?	V		(3) At present, all the affiliated enterprises of the Company are subsidiaries directly or indirectly invested 100% of the Company. In addition to the operating rules and regulations of the "Measures for the Financial Business Intercourse between Group Enterprises, Specific Companies and Related Persons" and their financial and business transactions, Outside, by the person responsible for and subject to the company's control and supervision.	None
2.4 Has the company established internal guidelines to prohibit insider trading?	V		(4) The Company has set "Internal Material Message Handling Procedures", "Code of Conduct for Integrity" and "Code of Ethical Conduct" to prohibit insider companies from using the market to make trading in securities without public information.	None
(3) Structure and Duties of the Board of Directors				
3-1. Has the Board of the company established and executed guidelines for the diversification of Board members?	V		(1) The Company has set forth a diversified policy on the members of the board of directors and implemented them, and set up three independent directors.	None

3-2. Has the company set up any functional committee other than Remuneration Committee and Audit Committee?		V	(2) The Company set up a remuneration committee in accordance with the law, and the remuneration management of the remaining companies is handled by each department according to their duties. Major decisions are submitted to the Board of Directors for discussion and no other functional committees have been set up.	The company will set depending on the situation
3-3 .Has the company established measurement to evaluate the Board's performance and stipulate to apply external evaluation at least once every 3 years		V	(3) The Company has not stipulated the measures for assessing the performance of the Board of Directors and the methods for assessing the Board.	None
3-4 Does the company regularly evaluate the independence of the Company's appointed CPA?		V	(4) The board of directors of the Company assesses the independence of CPA through Deloitte. The Company's CPAs hanen't acted as a supervisor of the Company and complied with the requirements of No. 10 of the Accountants' Law and Code of Ethics. There was no continuous verification by the same accountants for five consecutive years. The CPAs has provided the Company with a Declaration of Independence	None

(4) Has the company set up a full/part time unit or personnel in charge of handling corporate governance-related matters – including but not limited to providing information for board directors to carry out their duties, prepare board of directors' and shareholders' meetings, handle company registration and any changes therein, and prepare BOD and shareholders' meeting minutes?	V		The Company has set up a special unit to handle corporate governance related businesses.	None
(5) Does the company build up communication channels with interest-conflicting parties, dedicate a specific area on the company website, and properly respond to important issues regarding CSR?	V		The Company has a spokesman for the Company for communication with stakeholders and has set up an investor relations management division and a stakeholder area communication mechanism on the Company's website to properly respond to the issues.	None
(6) Does the company assign professional Share Transfer Agents to handle shareholders' meetings?	V		The Company has engaged the Transfer Agency and Registry Department of President Securities Co., Ltd. to manage its annual general meeting.	None

<p>(7) Information Disclosure</p> <p>7-1 Does the company set up a website to disclose financial, operational and corporate governance related information?</p> <p>7-2 Does the company adopt other disclosure ways?</p>	<p>V</p> <p>V</p>	<p>(1) Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.</p> <p>(2) Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure and disclose the company information at the MOPS.</p>	<p>None</p> <p>None</p>
<p>(8) Additional information</p> <p>1. Employee rights& employee care</p> <p>2. Investor relations &Stakeholders' rights</p> <p>3. Supplier relations</p> <p>4. Training programs for directors</p>		<p>1. Employee rights& employee care</p> <p>(1) According to the Labor Standards Act and related laws and decrees, the Company has formulated "Rules of Work" for employees, standardized the rights and obligations of employees and employees, code of service for employees, and welfare measures to safeguard the rights and interests of employees and strive for the sustainable development of the Company.</p> <p>(2) The Company has "Code of Ethical Conduct" and "Code of Conduct for Integrity". In order to uphold the ethical standards of conduct of directors, supervisors, managers and all employees of the Company, upholding the principle of good faith to gain public trust and enhance the corporate P.88 "V. Labor Relations 5. Employee Behavior or Ethical Code".</p> <p>(3) The Company has set forth the retirement rules for employees and provides for the retirement of employees in accordance with the regulations in order to stabilize the retirement life of employees.</p> <p>2. Investor relations &Stakeholders' rights</p> <p>The Company set up a spokesman for the Company for communication with stakeholders and set up an investor division on the Company's website to disclose relevant information on corporate governance and stakeholder communication in the areas of corporate finance, revenue and corporate governance (The Company's website is http://www.chenfull.com.tw). The Company also organizes corporation briefings to help investors understand the company's operating conditions and future direction of development.</p> <p>3. Supplier relations</p> <p>There is considerable consensus and good relationship between the Company and each of</p>	<p>None</p>

			<p>the suppliers and the development of "third-party vendor management procedures" and "procurement control procedures" to increase additional value, establish a solid supply chain and provide products that comply with environmental protection and legal requirements.</p> <p>4. Training programs for directors</p> <p>(1) The directors and supervisors of the Company participate in professional knowledge course such as finance and business. Please refer to P.26 "II. (I) .5. List of Board of Directors and Supervisors Education and Training" in this report.</p> <p>(2) The president, vice president, the chief accountant and the chief auditor of the Company participated in the corporate governance education and training as follows:</p>																																																	
			<table><tr><th>Title</th><th>Name</th><th>Date</th><th>Organization</th><th>Training program</th><th>Study hour</th></tr><tr><td>CEO</td><td>Alice, Chang</td><td>2017.3.22 ~2017.8.16</td><td>Stans Foundation</td><td>Organizational abilities strengthen course</td><td>26</td></tr><tr><td>President</td><td>Zhi-Ming, Lai</td><td>2017.3.22 ~2017.8.16</td><td>Stans Foundation</td><td>Organizational abilities strengthen course</td><td>26</td></tr><tr><td>Vice president</td><td>Yung-Hui, Chang</td><td>2017.8.16</td><td>Stans Foundation</td><td>Organizational abilities strengthen course</td><td>6</td></tr><tr><td>Vice president</td><td>Ying-Chun, Chang</td><td>2017.3.22 ~2017.8.16</td><td>Stans Foundation</td><td>Organizational abilities strengthen course</td><td>20</td></tr><tr><td>Vice president</td><td>Ming-Tsun, Lai</td><td>2017.8.16</td><td>Stans Foundation</td><td>Organizational abilities strengthen course</td><td>8</td></tr><tr><td>Accounting manager</td><td>Yi-Hua, Chen</td><td>2017.8.17 ~2017.9.20</td><td>Accounting Research and Development Foundation</td><td>Accounting manager training course</td><td>12</td></tr><tr><td>Audit manager</td><td>Ya-Hui, Chen</td><td>2017.9.1</td><td>Computer Audit Association</td><td>IT AUDIT and Information Governance_SAP System Control and Auditing Practice</td><td>6</td></tr></table>	Title	Name	Date	Organization	Training program	Study hour	CEO	Alice, Chang	2017.3.22 ~2017.8.16	Stans Foundation	Organizational abilities strengthen course	26	President	Zhi-Ming, Lai	2017.3.22 ~2017.8.16	Stans Foundation	Organizational abilities strengthen course	26	Vice president	Yung-Hui, Chang	2017.8.16	Stans Foundation	Organizational abilities strengthen course	6	Vice president	Ying-Chun, Chang	2017.3.22 ~2017.8.16	Stans Foundation	Organizational abilities strengthen course	20	Vice president	Ming-Tsun, Lai	2017.8.16	Stans Foundation	Organizational abilities strengthen course	8	Accounting manager	Yi-Hua, Chen	2017.8.17 ~2017.9.20	Accounting Research and Development Foundation	Accounting manager training course	12	Audit manager	Ya-Hui, Chen	2017.9.1	Computer Audit Association	IT AUDIT and Information Governance_SAP System Control and Auditing Practice	6	
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					2017.10.20	Accounting Research and Development Foundation	An Analysis of the Internal Control Practices of the Latest Labor Law Amendments and Recent Corruption Cases	6	
			<p>(5) Risk management The Company is fully aware of the risks of operating a single product market. As early as 2005, when the company attached importance to its existing core technologies, it actively developed different products and services and expanded its use in different industries to diversify individual industries. The cyclical crisis brought about by the global economic crisis in 2009 proved that the Company's strategy is correct.</p> <p>(6) The implementation of customer policy: The Company has a "Contract Review and Customer Communication Management Process" which is based on satisfying customer needs and ensures that customer communication can be effectively implemented to enhance customer satisfaction.</p> <p>(7) Purchase of liability insurance by directors and supervisors: The Company insures all directors and supervisors from liability insurance, which approved by the board of directors on April 23, 2009.</p>						

9. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements:

(A) has been improved:

- (1) Promoting shareholder activism: The Company voluntarily adopted the electronic voting method from the shareholders' general meeting since 2007 and invested resources in building a more established official website platform for contacting interested parties.
- (2) Implementation of social responsibilities: The Company voluntarily disclosed the employee welfare measures, retirement system and implementation status in the company's annual report and website from the year of 2017.

(B) to be Improved:

- (1) Equal treatment of shareholders: The Company voluntarily uploaded the English version of the regular shareholders' meeting proceedings, the English version of the mid-term financial report and the English version of the annual report from 2007 onwards.
- (2) Implementation of social responsibilities: The Company voluntarily prepared corporate social responsibility reports from 2018 onwards.

4. Compensation Committee operations

(1) Qualifications and independence criteria of members of the Compensation Committee

Identity	Name	Condition	With work experience for more than 5 years and the following professional qualification requirements			Independence criteria								No. of public companies in which he or she also serves as a member of the Compensation Committee	Note
			An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, 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 professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business	1	2	3	4	5	6	7	8		
Independent Director	Yu-Kuang, Hsing				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chao-Chieh, Lin				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shan-Shan, Hsiao				✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Executive Status of the Remuneration Committee :

(1) There are currently three members on the Remuneration Committee

(2) The current term is from December 14, 2015 until June 30, 2018. In year 2017, remuneration committee meetings have been held two times (A), with the attendance status listed below:

Title	Name	Attendance in person (B)	By proxy	Attendance ratio (%) (B/A)	Remarks
Convener	Yu-Kuang, Hsing	2	0	100%	
Committee member	Chao-Chieh, Lin	2	0	100%	
Committee member	Shan-Shan, Hsiao	1	1	50%	
1. Any suggestion made by the Compensation Committee that was not accepted or revised by the Board of Directors: None					
2. Any written objections or issues raised by a member of the Compensation Committee against resolutions passed by the committee: None					

5. Corporate social responsibility (CSR)

Item			Current Practice	
1. Corporate governance (1) Establishing a CSR policy or system and review mechanism	V	(I)	The Company has formulated the "Code of Practice on Corporate Social Responsibility" and practiced corporate social responsibility through relevant measures. All the departments are actively involved in the implementation of	None

Item			Current Practice	
(2) CSR course training7973	V		<p>CSR-related activities. Establishing the CHENFULL Xin Guang Club to actively participate in volunteer services, social care activities, and provide scholarships.</p> <p>(II) The Company regularly provides relevant information on corporate governance to directors and supervisors on an annual basis. The Company also inform the new employees the corporate ethics, related rewards and disciplinary measures.</p>	None
(3) Setting up a unit to carry out this policy or system	V		(III) The Company has set professional division for implementation of CSR policies, systems, relevant management and specific promotion plans, and report to the Board regularly.	None
(4) Establishing a reward-and-punishment system as part of the Company's employee performance evaluation system and CSR policy	V		(IV) The Company has set "Rules of Work" to clearly regulate the Employee service code and rewards & punishments. The performance appraisal serves as the basis for the year-end bonus, salary increase and promotion.	None
Environmental sustainability 1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment	V		(I) Since 2006, the Company has been actively involved in the development of water resources market, the construction and operation of 5,500-ton desalination plant in Ma-Gong and the construction of the Taichung Sewage Treatment Plant to contribute to the global water resources environment. The Company has implemented Various environmental policies to enhancing the awareness of all employees in environmental protection, social	None

Item			Current Practice	
2. Establishing an environmental management system in line with the nature of the Company's business operations	V		responsibility and ensuring products comply with environmental regulations. (2) The Company has "Safety and Health Management operation" to reduce the impact on the environment. Controlling air pollution, hazardous waste, energy use and noise generated in the design and manufacturing process through environmental management. In addition, the Company promised to establish, maintain and continuously improve its environmental management system so as to formulate various environmental control work processes and monitor the progress of its implementation.	None
3. Monitoring the impact of climate change on operating activities and adopting measures to reduce GHG emissions and minimize their impact on the environment	V		(3) The implementation of the Company measures: air-conditioner in winter is not open, does not open air-conditioner until temperature reached 28 degrees in summer, photocopiers and fax machines are saving mode standby, office corridor using inductive lighting and switch to LED.	None
Commitment to corporate social Responsibility				
1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy and establishing appropriate management practices, procedures and execution	V		(1) Pursuant to related national regulations, including the Labor Standards Act,	None

Item			Current Practice	
2. Setting up an employee appeals process	V		(2) Please refer to "5. Labor-capital Relations (7) Agreements between employers and employees" of this report, and set up a employee suggestion box to handle opinions of employees.	None
3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education	V		(3) The Company obtained the OHSAS18001 occupational safety and health management certification, please refer to "5. Labor-capital Relations (8) The Working Environment of the Company and the Personal Safety Protection Measures for Employees" in this report.	None
4. Building a regular communication mechanism and notifying employees about potential operational changes that may have a significant impact on them	V		(4) The company has an internal website announcing the latest information. It also set employee suggestion box to actively understand and meet the needs of employee.	None
5. Developing individual training plans for career development	V		(5) The Company encourages employees to pursue further studies and to subsidize the cost of further training if necessary. It also formulates "Measures for the Administration of Education and Training", arranges employee-related training courses, various education and training workshops to enhance the supervisory ability, send employee to external institutions for training and introduction of online EMBA learning system, promote the internal learning network.	None
6. Developing consumer rights protection policies and appeals procedures related to R&D, procurement, production, operations	V		(6) The Company maintain good communication with customers by set up customer service mailbox. Provide effective customer complaint handling procedures.	None

Item			Current Practice	
and service processes				
7. Complying with relevant regulations and international standards on marketing and labeling of products and services	V		(7) The Company's marketing and labeling of products and services comply with relevant laws, regulations and international standards.	None
8. Evaluating prospective suppliers' track record on environmental and social issues	V		(8) The Company and its suppliers are required to comply with the relevant regulations on environmental protection, safety or hygiene issues, work with suppliers to enhance CSR and awards excellent partners.	None
9. Right to terminate a contract if supplier violates its social responsibility, causing a significant impact on the environment and society	V		(9) All the Company's contract with suppliers should comply with the Company's honest policy. Pursue the most reasonable price, best quality and best service, reach the goal of the Company and its suppliers work together to promote CSR. If found supplier those who have such a business situation contrary with the company's business philosophy seriously, the Company will no longer cooperate with the unreliable partner.	None
Information disclosure				
Disclosing relevant and reliable information on corporate social responsibility	V		The Company disclosed and performed its CSR report in the annual report and disclosed relevant information on the Company's website and Market Observation Post System	None
5. The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best Practice Principles for CHENFULL International Co., Ltd." Actively implement corporate social responsibility, and participate in various public welfare activities.				
6. Additional important information on CSR-related matters				

Item					Current Practice			
(1) The CHENFULL Xin Guang Club has organized activities as follows:								
Title	Date	Location	Area	Content	Amount	Attendee	Beneficiary	
Blind children experience traditional rural life activities	2017.4.22	Leisure Bear Ranch	Taichung	Due to the obstacles of vision, Hui-Ming's son is limited with many things. Through this opportunity to share love.	\$10,000	52	40	
Mid-Autumn Festival caring for blindness child	2017.9.27	Bamboo Hang Wenshan Leisure Farm	Taichung	Celebrate Mid-Autumn Festival with blindness children, The moon cakes were distributed to share the taste of happiness.	\$860	23	20	
Fitness Training Hope Course	2017.9.20	Tunghai University	Taichung	There are no playgrounds for blindness children. The CHENFULL Xin Guang Club initiated employee fundraising activities and invited physical teachers to lead children in group recreation activities so that children can participate in physical activities and provide substantial spiritual and material care.	\$120,000	30	20	
Huashan Foundation Loves the Old	2017.10.14	Houli	Taichung	We will lead elderly people living alone to go out and leave vulnerable elders to experience the love and	\$10,000	60	40	

Item				Current Practice			
Man Project - Tanzi Station				warmth of society.			
Faithful Love Event	2017.11.11	Houli	Taichung	Participate in the annual hope-loving love meal; assist the foundation in raising education funds and support charity.	\$10,000	80	Used by the Foundation
<p>(2) The Company is convinced that " Whatever you take from the society; use them for the society." The Company encourages employees to actively participate in public welfare activities, volunteer service plans, blood donations, book donations, care for the elderly and child-rearing homes.</p> <p>(3) The Penghu Desalination Plant of the Company provides Wu-Kan district scholarships twice each year to reward local schoolchildren.</p> <p>(4) The Company sponsors the Taiwan Acoustic Education Association, support tribal art and culture, to the world, let the world hear Taiwan, hear the Mountain Jade singing.</p> <p>(5) The Company sponsors the "Future and Hope" celebrity lecture series, leading the audience bravely to realize their dreams.</p>							
7. Describe the CSR report issued by the Company that have been verified by an independent third-party assurance organization: Not applicable							

6. Ethical corporate management

Item		Current Practice	
1. Establishing a policy on ethical corporate			

management: (1) Specifying the Company's policy on ethical corporate management in its official charter and material documents, including the board and management's commitment to its implementation	V		(1) 1.The Company has promulgated its Ethical Corporate Management Best Practice Principles and reinforces them on an annual basis to ensure that employees, management and the board comply with the principles. 2. The Company promotes the business philosophy of "Integrity, positive, Innovation and Breakthrough" on its website and quarterly contents and sets out the Code of Ethics for the conduct of directors, supervisors, managers and all employees in compliance with ethical standards and The "Code of Practice for Employee Working Rules" specifies the policy and implementation of integrity management.	None
(2) Setting up a system, including operational guidelines, reporting system and punishment for violations, to prevent dishonest behavior	V		(2)The Company based on Ethical Corporate Management Best Practice Principles , Code of Ethics and Internal Control System to regulate ethical behavior, clarify the principle of good faith and prevent conflicts of interest, and should not seek personal gain, confidentiality responsibility, fair trade, proper protection of assets and Use, legal compliance and encourage reporting of any unlawful or contrary to any code of ethical conduct. Any violation by the Company personnel other than those prescribed by laws or regulations of the Company shall be immediately announced to the public for prevention.	None
(3) Adopting measures to prevent high-risk unethical conduct as specified in Article 7	V		(3) The company conducts business activities in a fair and transparent manner. Before conducts business contacts, it shall	None

Paragraph 2 of “Ethical Corporate Management for Listed company”			consider the legality of the agents, suppliers, customers or other objects of commercial transaction and whether there is any dishonest practice, and shall prohibit kickbacks, bribery or other improper interests.	
2. Implementation of ethical corporate management				
(1) Assessing the integrity records of its correspondents, and specify the terms of the integrity behavior in the contracts it enters with the transaction partners?	V		(1) The Company provides “Ethical Corporate Management Best Practice Principles “and requires all stakeholders to sign a “Declaration of Ethical Corporate Management,” which states that suppliers must not engage in bribery.	None
(2) Establishing a full-time or part-time unit to promote the Ethical Corporate Management Best Practice Principles under the supervision of the Board of Directors	V		(2) The Company promote the integrity-related operation of the enterprise by the responsible unit and report the implementation to the board of directors on a regular basis.	None
(3) Setting up policies to prevent conflict of interest and providing channels to report such conflict	V		(3) The Company formulated "Code of Ethical Conduct" and “Ethical Corporate Management Best Practice Principles “to regulate the Company's personnel in handling affairs in an objective manner to prevent conflicts of interest and should proactively report any potential conflicts of interest with the Company.	None
(4) Building an effective accounting system and internal control system to carry out ethical corporate management, with internal/external auditors auditing the process	V		(4) All departments should examine the relevant internal control systems and operating procedures so as to avoid dishonest behavior of the company personnel, check the internal control system regularly and irregularly by the Company,	None

(5) Conducting regular internal and external training courses on ethical corporate management	V		and submit the audit report to the board of directors. (5) Integrity is the business philosophy of the Company; the Company regularly promulgates the Company's ethics and business philosophy. It regularly invites suppliers to hold supplier conferences to ensure that they do understand the Company's integrity management	None
3. Reporting ethical violations				
(1) Establishing a reporting and incentive system to facilitate the processing of complaints and assigning a person or unit to deal with the cases	V		(1) The report pipelines can be handled through external mail or internal e-mail or written reports, etc., and handled by specialized units.	None
(2) Setting up investigation and confidentiality procedures	V		(2) The Internal Audit Office must immediately launch an investigation upon receipt of the complaint and ensure that the name and identity of the complainant are kept confidential.	None
(3) Protecting whistleblower from harm	V		(3) The Internal Audit Office must be objective and fair in its investigation. It must report the results of its investigation directly to a higher supervisor and ensure that the whistleblower is not harmed.	None
4. Strengthening information disclosure				
(1) Disclosing related information on ethical corporate management on the Company's website and MOPS	V		The Company has posted its Ethical Corporate Management Best Practice Principles on its company website and MOPS.	None
5. Has the company promulgated its own ethical corporate management principles in accordance with the "Ethical Corporate Management for CHENFULL International Co., Ltd"? If yes, describe the differences between the principles and current practices: No difference.				

6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices: Both the Company and its suppliers are governed by the "Code of Ethical Conduct" adopted by the Board of Directors and the "Declaration of Integrity in Business Conduct " and are governed by the contract.

(7) If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:

The Company disclosed the resolutions of the Board of Directors, the "Corporate Governance Best Practice Principles," "Code of Conduct for Integrity," "Code of Practice for CSR," "Code of Ethical Conduct," and "Compensation and Remuneration Committee Organizational Rules" Corporate governance related regulations on the MOPS and on the website of the Company.

(8) Other important information for the operation of corporate governance: None

(9) Internal Control System Execution Status

1. The declaration of internal control system: Please refer to p.250 of this report.

2. The investigative report of entrusting CPA to examine the internal control system: None.

(10) Violation of Internal Control Policies by Employees in Recent Years until the Annual Report is Published: None.

(11) In Recent Years, until the Annual Report being Published, Major Resolution and Execution status of Shareholder's Meetings and Board Meetings

1. Major Resolution and Execution status of 2017 Shareholder's Meetings:

Date	Resolutions of Shareholders' Meeting	Execution
2017.06.08	(1) Approval of the recognition of 2016 annual report and financial statements.	All shareholders attended the meeting without objection.
	(2) Approval of the recognition of the 2016 profit distribution. Approval of the recognition of 2016 annual report and financial statements.	All shareholders attended the meeting without objection, and paid the cash dividends NT \$ 319,120 thousand in August, 2017.
	(3) Approval of the amendment of the "Articles of Association" discussion.	All shareholders attended the meeting without objection. The competent authority approves the registration on June 30, 2017
	(4) Approval of the amendment of the "Rules of Shareholders' Meeting".	Has been processed according to the revised rules
	(5) Approval of the amendment of the "Directors and Supervisors Election Procedures".	Has been processed according to the revised rules
	(6) Approval of the amendment of the "Obtain or dispose of asset handlers".	Has been processed according to the revised rules

2. Major Resolution of Board Meetings

Date	Resolutions of the Board Meetings
2017.03.15	(1) Approval of the CPA Independence Assessment Review Case. (2) Approval of 2016 Annual Director Supervisor's Remuneration and Employee's Remuneration Distribution Proposal for Consideration of the Remuneration Committee. (3) Approval of 2016 Annual Financial Statements and Consolidated Financial Statements. (4) Approval of 2016 Annual business report review. (5) Approval of 2016 Annual profit distribution discussion. (6) Approval of Increase "dual currency deposit" discussion. (7) Approval of the "Statement of Internal Control System" discussion. (8) Approval of the Amendment of "Articles of Association" discussion. (9) Approval of the Amendment of "Rules of Procedure for Shareholders' Meeting" discussion. (10) Approval of the Amendment of "Measures for the Election of Directors and Supervisors" discussion. (11) Approval of the Amendment of "Acquisition or Disposal of Assets" discussion. (12) Approval of Accepting shareholders' proposal period and premises discussion. (13) Approval of Convening 2017 shareholders meeting discussion.

Date	Resolutions of the Board Meetings
2017.05.04	(1) Approval of Revision of the "Internal Control System" discussion. (2) Approval of Acquisition of Taipei City Commercial Office and Establishing Operational Base Plan
2017.08.10	(1) Approval of sale China Trust Era Income Balanced Fund admission. (2) Approval of issue Commercial paper through China Bills Finance Corporation admission. (3) Approval of Endorsement the guarantee of the subsidiary "CHENFULL Water Resources Co., Ltd." discussion. (4) Approval of Credit Line Discussion. (5) Approval of issue Commercial paper through Maga Bills Finance Corporation admission.
2017.11.02	(1) Approval of the Board performance appraisal methods discussion.
2017.12.13	(1) Approval of Cathay Bank Credit line and financial product Pre-Settlement Risk Limit admission. . (2) Approval of Citi Bank Credit line and Derivative financial product Pre-Settlement Risk Limit discussion. (3) Approval of 2017 Annual budget and operating plan discussion. (4) Approval of 2017 Annual audit plan discussion.
2018.03.07	(1) Approval of the CPA Independence Assessment Review Case. (2) Approval of 2017 Annual Director Supervisor's Remuneration and Employee's Remuneration Distribution Proposal for Consideration of the Remuneration Committee. (3) Approval of 2017 Annual Financial Statements and Consolidated Financial Statements. (4) Approval of 2017 Annual business report review. (5) Approval of 2017 Annual profit distribution discussion. (6) Approval of the "Statement of Internal Control System" discussion. (7) Approval of the Amendment of "Articles of Association" discussion. (8) Approval of the Amendment of "Rules of Procedure for Directors' Meeting" discussion. (9) Approval of the 15 th Directors, Independent Directors and Supervisors Election discussion. (10) Approval of Accepting shareholders' proposal and acceptance of list of candidates for independent directors' period and premises discussion. (11) Approval of release the Prohibition on Directors from Participation in Competitive Business discussion. (12) Approval of Convening 2018 shareholders meeting discussion.
2018.04.11	(1) Approval of review candidates for independent directors in 2018 shareholders meeting.

(12) In Recent Years until the Annual Report is Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors: None.

(13) The Resigned Situation of the Officers (Including Chairman, President, Financial Manager, Accounting Manager, Internal Auditor Manager and R&D Manager) Related to Financial Report: None.

5. CPA Service Fee

(1) Public Expenses of CPA

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Yi-Hui, Lin	Hui-Ming, Chen	2017.01.01~2017.12.31	None

Unit: NT\$'000

Item		Audit Fees	Non-audit Fees	Total
Amount (NTD)				
1	Less than 2,000			
2	2,000 ~ 4,000 (inclusive of 2,000)	2,880	-	2,880
3	4,000 ~ 6,000 (inclusive of 4,000)			
4	6,000 ~ 8,000 (inclusive of 6,000)			
5	8,000 ~ 10,000 (inclusive of 8,000)			
6	More than 10,000 (inclusive of 10,000)			

(2) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services:

- (3) If the audit fees in the year CPA firm changes is lower than that in the prior year, specify the amount of audit fee before and after and the reason: Not applicable.
- (4) If the audit fee dropped year on year by more than 15%, specifies the amount, percentage, reason of the reduction: Not applicable.
6. If CPAs changed In the recent two years, expose the former and the successive CPAs information: None
7. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year: None
8. Changes in shareholdings of directors, managers and major shareholders:
- (1) Shares Transferred or Pledged by Directors, Supervisors, and Managers, or Major Shareholders in the Recent Years until the Annual Report being published:

Unit: share

Title	Name	2016		2017/4/10	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Alice, Chang (Note)	53,000	-	-	-
President	Zhi-Ming, Lai	53,000	-	-	-
Director	Yi-Chuan Investment Co., Ltd	-	-	-	-
Director	Chia-Shen, Hsu	463,000	-	-	-
Independent Director	Yu-Kuang, Hsing	-	-	-	-
Independent Director	Chao-Chieh, Lin	-	-	-	-
Independent Director	Shan-Shan, Hsiao	-	-	-	-
Supervisor	Mu-Hsiung, Chang	-	-	-	-
Supervisor	Mei-Huang, Chang	-	-	-	-
Supervisor	Hsueh-Chen, Wu	2,000	-	-	-
Vice President	Ying- Chun, Chang	41,000	-	-	-
Vice President	Yung-Hui, Chang	40,000	-	-	-
Vice President	Ming-Tsun, Lai	45,000	-	-	-
Accounting Management	Yi-Hua, Chen	13,000	-	-	-
Financial Management	Shu-Chu, Chen	6,000	-	-	-

Note 1: Who are the major shareholders that hold over 10% share.

- (1) Shareholding Transferred: None. Due to the counter party is not a related party the price is market price.
- (2) Shareholding Pledged: None.

9. The Relationship between Top Ten Shareholders (With Major Institutional Shareholders)

2018/3/31 Unit: shares ;%

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Note
	Shares	%	Share s	%	Shares	%	Name	Relations hip	
Alice, Chang	14, 252, 180	12. 06%	1,338	-	-	-	Chia-C hien, Hsu Chia-S hen, Hsu	first-degr ee relatives	
Chia-Chien, Hsu	5, 028, 000	4. 25%	-	-	-	-	Alice, Chang	first-degr ee relatives	
Chia-Shen, Hsu	5, 005, 388	4. 23%	-	-	-	-	Alice, Chang	first-degr ee relatives	
HSBC custodian Pictet investment accounts	4, 307, 000	3. 64%	-	-	-	-	None	None	
Yi-Chuan Investment Co., Ltd.	2, 890, 976	2. 45%	-	-	-	-	Alice, Chang	Director	Representativ e Chia-Shen, Hsu
Cathay Life Insurance	2, 842, 000	2. 40%	-	-	-	-	None	None	Representativ e Hong-Tu, Cai
Cheng-Chia Investment Co., Ltd.	2, 180, 481	1. 84%	-	-	-	-	Alice, Chang	Director	Representativ e Chia-Chien, Hsu
Li-Qin, Xie	1, 074, 519	0. 91%	-				None	None	
DB custodian Taiwan Opportuntiy investment accounts	940, 000	0. 80%	-				None	None	
Farglory Life Insurance	900, 000	0. 76%	-				None	None	Representativ e Meng Jiaren

10. Shares of the Company Directors, Supervisors, Managers, and Direct and Indirect Investments of the Company in Affiliated Companies

2017/12/31 Unit:shares %

Affiliated Company	Investment of CHENFULL		Directors, Supervisors, Managements Direct and Indirect Investment of the affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
Maing Chau Enterprise Co., Ltd	2,703,905	9.45%	495,609	1.73%	3,199,514	11.19%
CHENFENG Machinery & Enterprise Co., Ltd	5,280,000	100%	-	-	5,280,000	100%
CHENFULL Water Resource Co., Ltd	41,800,000	100%	-	-	41,800,000	100%

Others (less than 1%)	967,110	-	11,090	-	978,200	-
CHENFULL HOLDING CO.,LTD	-	100%	-	-	-	100%

4. Capital and Shares

(1) History of Capitalization

1. Capital formation

Unit:shares/ NT\$

	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-Money Capital Expansion	Other
1982.04	10	220,000	2,200,000	220,000	2,200,000	Create cash capital increase \$2,200,000	-	None
1984.11	10	500,000	5,000,000	500,000	5,000,000	cash capital increase \$2,800,000	-	None
1988.04	10	1,500,000	15,000,000	1,500,000	15,000,000	cash capital increase \$10,000,000	-	None
1990.01	10	2,700,000	27,000,000	2,700,000	27,000,000	cash capital increase \$12,000,000	-	None
1992.12	10	4,200,000	42,000,000	4,200,000	42,000,000	cash capital increase \$15,000,000	-	None
1997.12	10	8,760,000	87,600,000	8,760,000	87,600,000	cash capital increase \$45,600,000	-	None
1999.11	10	12,000,000	120,000,000	12,000,000	120,000,000	cash capital increase \$14,880,000 earnings transfer to capital increase \$17,520,000	-	None
2000.12	10	21,000,000	210,000,000	18,000,000	180,000,000	cash capital increase \$30,000,000 earnings transfer to capital increase \$30,000,000	-	None
2001.11	10	27,000,000	270,000,000	22,500,000	225,000,000	earnings transfer to capital increase \$45,000,000	-	None
2002.07	10	52,900,000	529,000,000	30,105,000	301,050,000	earnings transfer to capital increase \$76,050,000	-	None

	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-Money Capital Expansion	Other
2003.07	10	52,900,000	529,000,000	40,641,750	406,417,500	earnings transfer to capital increase \$105,367,500	-	Note 1
2004.10	10	72,900,000	729,000,000	48,950,000	489,500,000	earnings transfer to capital increase \$81,283,500 Employee bonuses to increase capital \$1,799,000	-	Note 2
2005.10	10	100,000,000	1,000,000,000	58,990,000	589,900,000	earnings transfer to capital increase \$97,900,000 Employee bonuses to increase capital \$2,500,000	-	Note 3
2006.10	10	150,000,000	1,500,000,000	75,041,144	750,411,440	Consolidated capital increase \$160,511,440	-	Note 4
2006.10	10	150,000,000	1,500,000,000	78,227,394	782,273,940	earnings transfer to capital increase \$28,862,500 Employee bonuses to increase capital \$3,000,000	-	Note 5
2007.08	10	150,000,000	1,500,000,000	82,513,965	825,139,650	Corporate bonds convert to common stock to increase capital \$42,865,710	-	None
2007.12	10	150,000,000	1,500,000,000	82,805,453	828,054,530	Corporate bonds convert to common stock to increase capital \$2,914,880	-	None
2008.04	10	150,000,000	1,500,000,000	84,918,359	849,183,590	Corporate bonds convert to common stock to increase capital \$21,129,060	-	None
2008.12	10	150,000,000	1,500,000,000	83,903,359	839,033,590	Write off Treasury shares \$10,150,000	-	None
2009.09	10	150,000,000	1,500,000,000	88,310,315	883,103,150	earnings transfer to capital increase \$41,951,680 Corporate bonds convert to common stock to increase capital \$2,117,880	-	Note 6

	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-Money Capital Expansion	Other
2009.12	10	150,000,000	1,500,000,000	93,626,711	936,267,110	Corporate bonds convert to common stock to increase capital \$53,163,960	-	None
2010.10	10	150,000,000	1,500,000,000	113,626,711	1,136,267,110	cash capital increase \$200,000,000	-	Note 7
2011.07	10	150,000,000	1,500,000,000	118,171,779	1,181,717,790	earnings transfer to capital increase \$45,450,680	-	Note 8
2012.07	10	150,000,000	1,500,000,000	121,692,482	1,216,924,820	earnings transfer to capital increase \$35,207,030	-	Note 9
2012.09	10	150,000,000	1,500,000,000	118,192,482	1,181,924,820	Write off Treasury shares \$35,000,000	-	None

Note 1: 2003/7/10 Securities and Futures Commission of the Ministry of Finance (92) Letters No. 0920130476 issued by Taiwan Finance Bureau Approve the earnings transfer to capital increase \$105,365,500. After the capital increase, the Paid-in capital was \$406,417,500.

Note 2: 2003/6/28 Securities and Futures Commission of the Ministry of Finance (93) Letters No.0930128474 issued by Taiwan Finance Bureau Approve the earnings transfer to capital increase \$ 81,283,500and employee bonuses to increase capital 1,799,000. After the capital increase, the Paid-in capital was \$489,500,000.

Note 3: 2005/7/6Financial Supervisory Commission R.O.C. (Taiwan) (94) Letters No.0940127152 Approve the earnings transfer to capital increase \$97,900,000 Employee bonus \$2,500,000 .After the capital increase, the Paid-in capital was \$589,900,000.

Note 4: 2006/6/9Financial Supervisory Commission R.O.C. (Taiwan) (95) Letters No.0950122327 Approve the Consolidated capital increase \$ 160,511,440. After the capital increase, the Paid-in capital was \$750,411,440.

Note 5: 2006/7/14 Financial Supervisory Commission R.O.C. (Taiwan) (95) Letters No.0950130518 Approve the earnings transfer to capital increase \$28,862,500 and Employee bonus \$3,000,000. After the capital increase, the Paid-in capital was \$782,273,940.

Note 6: 2009/8/13 Financial Supervisory Commission R.O.C. (Taiwan) (98) Letters No.0980040499 Approve the earnings transfer to capital increase \$41,951,680 元 After the capital increase, the Paid-in capital was \$883,103,150.

Note 7: 2010/7/27 Financial Supervisory Commission R.O.C. (Taiwan) (99) Letters No.0990037828 Approve the cash capitalincrease \$200,000,000. After the capital increase, the Paid-in capital was \$1,136,267,110.

Note 8: 2011/7/1 Financial Supervisory Commission R.O.C. (Taiwan) (100) Letters No.1000030450 Approve the earnings transfer to capital increase \$45,450,680. After the capital increase, the Paid-in capital was \$1,181,717,790.

Note 9: 2012/7/3 Financial Supervisory Commission R.O.C. (Taiwan) (101) Letters No.1010029307 Approve the earnings transfer to capital increase \$35,207,030. After the capital increase, the Paid-in capital was \$1,216,924,820.

4. Stock type

2018/3/31 Unit: shares

Stock type	Authorized Capital			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	118,192,482	31,807,518	150,000,000	-

5. Information related to shelf registration: None

(2) Shareholder structure

2018/3/31

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	-	-	148	21,305	62	21,515
Total shares owned	-	-	15,256,412	91,545,246	11,390,824	118,192,482
Holding percentage (%)	-	-	12.91%	77.45%	9.64%	100%

(3) Shareholding distribution

1. Common shares

Par value \$10 NTD

2018/3/31

Shareholding range			No. of shareholders	Total shares owned	Holding percentage(%)
1	~	999	10,499	415,656	0.35
1,000	~	5,000	8,703	17,762,586	15.03
5,001	~	10,000	1,223	9,672,052	8.18
10,001	~	15,000	353	4,584,199	3.88
15,001	~	20,000	218	4,076,002	3.45
20,001	~	30,000	170	4,307,490	3.64
30,001	~	40,000	109	3,878,923	3.28
40,001	~	50,000	55	2,555,042	2.16
50,001	~	100,000	93	6,473,250	5.48
100,001	~	200,000	38	5,070,095	4.29
200,001	~	400,000	23	6,400,854	5.42
400,001	~	600,000	10	5,092,641	4.31
600,001	~	800,000	6	4,153,412	3.51
800,001	~	1,000,000	7	6,169,736	5.22
1,000,001 and above			8	37,580,544	31.80
Total			21,515	118,192,482	100.00

2. Preferred shares: None

(4) Major shareholders

Name, shares and shareholding ratio of shareholders whose shareholding ratio exceeds 5% or whose shareholding ratio accounts for the top ten:

2018/3/31 Unit: shares; %

Major Shareholders	Shares	%
Alice, Chang	14,252,180	12.06%
Chia-Chien, Hsu	5,028,000	4.25%
Chia-Shen, Hsu	5,005,388	4.23%
HSBC custodian Pictet investment accounts	4,307,000	3.64%
Yi-Chuan Investment Co., Ltd.	2,890,976	2.45%
Cathay Life Insurance	2,842,000	2.40%
Cheng-Chia Investment Co., Ltd.	2,180,481	1.84%
Li-Qin, Xie	1,074,519	0.91%
DB custodian Taiwan Opportunitiy	940,000	0.80%

investment accounts		
Farglory Life Insurance	900,000	0.76%

(5) Share Price, Net Value, Earnings, Dividends and Related Information in Last 2 years

Unit: NT\$; '000 shares

Item \ Year		2016	2017	2018 (as of May 7) (Note8)
Share price (Note 1)	High	63.90	54.80	53.20
	Low	39.95	44.20	41.90
	Average	53.25	49.94	48.26
Share price (Note 2)	Before distribution	27.57	28.87	29.71
	After distribution	24.87	-	-
Earnings per share	Weighted-average outstanding shares	117,911	117,911	117,911
	Earnings per share (Note3)	4.51	4.02	0.82
Dividend per share	Cash dividend	2.7	-	-
	Stock dividen d	-	-	-
		-	-	-
	Accumulated un-distributed dividend (Note 4)	-	-	-
Return on Investment	Price/Earnings Ratio (Note5)	11.81	12.42	58.85
	Price/Dividend Ratio (Note6)	19.72	-	-
	Cash dividend yield (Note7)	5.07%	-	-

* If there is a surplus or capital reserve converted into capital increase shares, the market price retroactively adjusted for the number of shares issued and cash dividend information should be disclosed.

Note 1 : High/Low means the highest/lowest share price for the period and average share price is calculated based on transaction amount and volume for the period.

Note 2 : To be resolved by Shareholders' Meeting in the subsequent year.

Note 3 : Earnings per share after stock dividend is distributed.

Note 4 : If conditions of issue of equity securities required, dividends not paid during the year could be accumulated to issuers with a surplus year, dividends unpaid over the year should be disclosed separately.

Note 5 : Price earnings ratio = Average closing price / earnings per share

Note 6 : Price to cash dividend = Average closing price / cash dividend per share

Note 7 : Cash dividend yield = Cash dividend per share / average closing price

Note 8 : Net per share, earnings per share should be set out as of the annual report as recently as the CPAs check (verification) information, the remaining fields should include the current year's information as of the date of printing of the annual report.

(6) Dividend Policy

1. Dividend Policies under the Articles of Incorporation

The dividend policy of the Company complies with the overall business environment and industrial characteristics. Based on the Company's future financial structure and capital budget, and take comprehensive consideration of profitability, undistributed surplus and capital reserve to make an appropriate dividend distribution In order to achieve stable development and maximize the interests of shareholders. Cash dividends are distributed at no less than 10% of the total dividends for the year.

2. Dividend Allocation proposed to be approved at the Annual Shareholders' meeting
Dividends distribution was approved by the board of directors on March 15, 2018 and the cash dividend was distributed at \$2.7 per share, which will be submitted to the shareholders' meeting on May 31, 2018

(7) Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

Item		Year	Unit: NT\$ Estimated in 2017
Paid-in capital in the beginning			\$1,181,924,820
Allotment this Dividend situation (Note1)	Cash dividend per share		2.7(Note1)
	Surplus to capital increase allotment number per share		-
	Paid-in capital to capital increase allotment number per share		-
Business performance change (Note2)	Operating profit		Not applicable (Note2)
	Increase(decrease) in operating profit rate		
	Net profit after tax		
	Increase(decrease) in net profit after tax		
	Earnings per share		
	Increase(decrease) in earnings per share		
	Average annual return on investment		
Proposed EPS (Note2)	If the total surplus to capital increase changed into cash dividends	Proposed EPS	Not applicable (Note2)
		Proposed Average annual return on investment	
	If the Company do not transfer paid-in capital to capital increase	Proposed EPS	
		Proposed Average annual return on investment	
	If the Company changed surplus to capital increase into cash dividends instead of paid-in capital	Proposed EPS	
		Proposed Average annual return on investment	

Note1 : By 2018 annual shareholders' meeting

Note2 : According to the "Publicly Issued Company Financial Forecasting Information Processing

Guidelines,"the Company does not need to disclose 2018 annual financial forecast information, so it is not applicable.

(8) Employee bonuses and compensation to directors

1. Earnings distribution plan according to the Company's Articles of Incorporation

If the Company has profits in a fiscal year, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount.

(1) The director supervisor compensation shall set not more than 2% of the profits

(2)The employee compensation shall set not less than 2% of the profit and can be stock or cash distribution to employees including subsidiaries that meet certain criteria.

2. Accounting treatment for the deviation between the estimated and actual distribution amount of employee bonuses and compensation to directors

Estimated remuneration of employees, directors and supervisors for 2017 is based on the Articles of Association and the assessment of operating results. If the actual allotment amounts differ from the estimates, they will be adjusted to 2018's profit or loss.

3. 2018 employee bonus and and directors' compensation proposal adopted by the BOD:

The remuneration distribution for employees, directors and supervisors of the Company for the year 2017 was approved by the Board of Directors on March 15, 2018. The difference between the distribution of the remunerations and the estimated amounts in 2017 is as follows:

(1) Employee bonuses and compensation to directors paid in the form of cash:

Unit:NT\$

	Proposed distribution of the Board of Directors in 2018	Account in 2017	Variance	Variance reason	Processing situation
Employee compensation	30,900,000	30,900,000	-	None	None
Director, supervisor compensation	4,000,000	4,000,000	-		
Total	34,900,000	34,900,000	-		

(2) Employee bonuses paid in the form of shares and as a percentage of total net income on a stand-alone basis and of total employee bonuses: None.

4. Earnings distributed as employee bonuses and compensation to directors in the previous year

The distribution of the Company approved by the shareholders' general meeting on June 8, 2017 was in line with the resolution of the board of directors held on March 15, 2017. The difference from the recognition of the 2016 financial statement is as follows:

Unit:NT\$

	Proposed distribution of the Board of Directors in 2017	Account in 2016	Variance	Variance reason	Processing situation
Employee compensation	45,000,000	45,000,000	-	None	None
Director, supervisor compensation	4,000,000	4,000,000	-		
Total	49,000,000	49,000,000	-		

(9) Share buyback: None.

2. Corporate bonds: None
3. Preferred shares: None
4. Depositary receipt issuance: None
5. Employee stock options: None
6. Shares issued for mergers and acquisitions: None
7. Use of proceeds from rights issue: None

Chapter 5 Operational Highlights

1. Scope of Business

(1) Business overview

1. The company mainly engaged in business operations systems engineering, shoe machine production and sales, precision components integration manufacturing and water resources processing.

2. revenue breakdown

Unit: NT\$'000; %

Item \ Year	2017		As of the first quarter of 2018	
	Amount	%	Amount	%
Engineering income	909,430	28.46	189,554	26.25
Mechanical income	552,459	17.29	131,472	18.20
Precision components revenue	1,615,076	50.55	369,418	51.15
Water treatment and others	118,350	3.70	31,791	4.40
Total	3,195,315	100.00	722,235	100.00

3. The company's current products and services

(1) Factory System Engineering:

Plant engineering systems include high-tech manufacturing plant equipment system links, process exhaust, wastewater treatment, pure water systems, public systems and clean room planning and construction.

(2) Shoes production and sales:

To "Chengfeng" own-brand production and marketing of footwear industry-related machinery, including the knitting machine, pressing machine, cutting machine and injection machine.

(3) Precision components integrated manufacturing:

Production of aerospace industry body structure and aircraft engine components include flat panel displays, solar energy, and semiconductor manufacturing process components precision manufacturing integration.

(4) Water resources operation:

Desalination plant construction project, water recycling project and water generation is on behalf of the operating business.

4. New products and services

- (1) Advanced exhaust gas treatment equipment and high-tech plant factory rectification project.
- (2) Shoe manufacturing process required for the new machinery and equipment: dispensing robot dispenser shoeing making machine.
- (3) Shoe manufacturing machinery and equipment required for intelligent production.
- (4) Process equipment to provide precision components customized services.
- (5) Stainless steel electro polishing line establishment.
- (6) Semiconductor equipment component automated processing production line establishment.

(2) Industry overview

1. Industry status and development

(1) Plant Systems Engineering Industry:

The Semiconductor Industry Association (SEMI) estimates that the annual growth rate of semiconductor output will be about 5% to 8%, reaching a record high. And it is expected to continue increase next year. The output value will stand for the first time at 500 billion US dollars. Semiconductor applications have escaped the application of traditional 3C and PCs, and have entered into the multiple uses of the Internet of Things, smart manufacturing, artificial intelligence and big data, smart medical care, smart cars, and 5G. This has also created a new leap forward in the semiconductor market. It will be the main growth driver for the semiconductor industry in the next 10 years. TSMC and other manufacturers, have actively set up factories and expand equipment. TSMC's 3nm new plant has also been established in Taiwan.

The Company's plant systems engineering is closely related to the development of the semiconductor industry. In recent years, due to fierce competition among semiconductor players, the semiconductor industry has been continuously boosting capital investment. Capital expenditures have been used to expand advanced processes, package production capacity, build factories and install factory systems to stabilize Market positioning.

(2) Shoe machine industry

Due to the constant breakthrough of footwear brand manufacturers, the global footwear market is expected to reach 430 billion U.S. dollars by 2024 according to the investigation of the development of footwear industry by GIA (Global Industry Analysts). The main factors driving market growth include the rise of smart concepts and material innovations such as leather substitutes. For example, 3D printing technology will become the mainstay of the footwear industry, and its

technology enables manufacturers to meet the overwhelming demand for various footwear designs and mass customization.

The Asia-Pacific region has the fastest growth rate, with a compound annual growth rate of 8% during the analysis period, which is mainly influenced by factors such as population growth and increasing market demand for affordable mass market; according to Smart Research Insights, China is expected to sell by 2020. The \$79.9 billion worth of shoes has a compound annual growth rate of 6.3%.

In view of the trend of automated production to replace manpower, many brand manufacturers, such as the athletic footwear brand Adidas, have customized footwear through smart factories, and are no longer pursuing small quantities and changing to a small number of service oriented ones.

In order to respond to the development trend of Global Industry 4.0, Taiwan has accelerated research and development of talents related to smart machinery and talent cultivation. At the same time, under the mutual cooperation of private companies, the establishment of "Shoe Technology Center" at Huwei University of Technology is expected to be the future of Taiwan's footwear industry. Talent cultivation and technology research and development and actively promote industrial upgrading and exchanges. Therefore, in the future, shoemaking equipment will continue to be actively developed to help customers reduce manufacturing costs and increase the added value of automated products, so that the equipment is more energy-efficient, more automated, and intelligent, to help shoe factories effectively reduce costs and reduce labor demand and dependence.

(3) Precision components integration manufacturing industry

i. Optronics equipment industry

The display industry continues to develop toward large size and high resolution. After apple, samsung mobile devices monitor adopted OLED display panel, other competitors feel pressure to follow up. Now, Samsung has over 90% of market production capacity, forcing other manufacturers to develop other OLED panel production capacity. This made China and Japanese panel makers invest in another wave of OLED equipment. On the other hand, TV panels continue to expand the average size every year, driven by the large-scale panel investment of more than 10 generations in mainland China.

The semiconductor industry is the main key development project in mainland China in recent years. There are more than a dozen new IC manufacturers in the next five years, and the amount of investment and equipment driven by it is extremely alarming.

According to SEMI's "Global Fab Forecast" data, fab equipment spending in 2017 totaled US\$57 billion, an increase of 41% over the previous year. Expenditure in 2018 is expected to increase by 11% to reach US\$63 billion. The

substantial increase in overall fab equipment spending was mainly attributed to the two companies, South Korea's Samsung and SK Hynix.

In 2018, many fabs completed in 2017 in China are expected to enter the equipment installation phase. Unlike in the past, most of the fab investment in mainland China came from foreign company. In 2018, the cost of fab equipment of mainland Chinese component manufacturers will catch up with the foreign manufacturers for the first time, reaching about US\$5.8 billion, while foreign manufacturers expect invest US\$6.7 billion. It shows that the overall industry demand continues to increase, and this part will also be one of the main axes for the future development of Thousands of Precision Technologies.

ii. Aerospace industry

Boeing Company estimates that the global commercial airliners will deliver 41,030 aircraft reach US\$6,100billion in the next 20 years, an increase of 3.6% over the previous year's estimate. Boeing said that with the rise of the middle class driving the ethos of tourism, Southeast Asia has become one of the regions with the fastest growing tourism demand. Due to low-cost airline dominance and short-term demand, single-aisle airliners are still the largest type of demand in the market, with a ratio of 72%. It is estimated that there will be more than 29,500 aircraft in the next 20 years. 72% will be single-aisle aircraft.

The aviation industry has adopted successive generations of engines due to energy conservation and efficiency considerations. Next-generation engines not only use more composite materials, but also have a new type of fan blade and I combustor design, and can achieve higher bypass ratios and lower Fuel consumption. After the company put into the engine case and processing machine in 2006, it processed the front and the back of the CFM-56 engine compression section case at a precision of 40% to 50% of the global total supply. There is also a 50% market share in GE-90 fans OGV.

(4) Water resources industry

Taiwan is surrounded by the sea. At present, annual rainfall is the main source of water use, but the reservoir capacity is limited by the topography with a large number but a small capacity. It is still troubled by water shortages in times of drought. According to the water risk assessment study conducted by the Department of Water Resources of the Ministry of Economy, more than half of the cities and counties in Taiwan will be hit by the climate change in 2031, and the water supply and demand are in an unbalanced state. However, the coastline of Taiwan stretches 1,139 kilometers with abundant seawater resources and an annual average rainfall of 2,500 millimeters, 2.6 times the global average. It is ranked 13th in the world with good conditions for water resources development and a good geographical environment for developing seawater desalination. At present,

the desalination plants in Taiwan are mainly located in the outlying islands where the water shortage is more serious, like Penghu, Kinmen and Lianjiang. The future development of desalination plants in Taiwan is still considerable development.

The development of new water resources, sewage and waste water regeneration is also the key of water sources. Recycled water in the world currently has business opportunities of 600 billion U.S. dollars and is growing at a rate of 5% per annum. The government announced the implementation of the "Renewable Water Resources Development Ordinance" in December 2015. With the treatment capacity of sewage treatment plants in Taiwan, it is estimated that the reclaimed water will reach 1.32 million tons daily by 2031, accounting for about 10% of the public water supply. In addition to solving the problem of water scarcity, it will benefit the associated industries in the reclaimed water system.

3. Various trends of products

(1) Factory system engineering industry

Factory system engineering needs to provide comprehensive and professional engineering services for the unique needs of customers. Build a perfect environment for the system integration engineering services.

(2) Shoe machine industry

Shoe machine products help shoe manufacturers reduce the labor demand and dependence, reduce production costs, stabilize the quality and increase added value. Make shoe-making equipment more energy-efficient, more automated, and easier to operate.

(3) Precision components integration manufacturing industry

i. Optronics equipment industry

OLED using CVD to do the package, which can reduce the panel process and production costs. TFT-LCD equipment investment is mainly larger size production equipment, which can cut large LCD TV panels more effectively. The 10.5-generation TFT-LCD production line uses glass substrates that cut up to six 75-inch LCD panels.

International equipment manufacturers list Taiwan as a very important production base in the manufacture of display panel equipment, and domestic manufacturers are also actively upgrading their technology to meet customer specifications and expanded to meet market and customer needs.

ii. Aerospace industry

Due to energy saving and efficiency considerations, aviation industry have adopted the next generation of engines one after another. The next generation of engines not only uses more composite materials, new compression fan blades

and I combustion chamber design, but also achieve a higher bypass ratio and lower fuel consumption.

(4) Water resources industry

The desalination cost of RO desalination systems continued to decline, significantly reduce the cost of water supply in outlying islands area. The recovery of water resources will be gradually upgraded from the traditional treatment procedures of chemical treatment, sedimentation and discharge to achieve the goal of water recycling.

4. Competitive situation

(1) Factory system engineering industry

Although the factory system engineering industry entry barriers are not high and belongs to completely competitive market, but they still have their particularity in the engineering specifications, quality and delivery requirements. Because the company uphold the past excellent project contract performance, good reputation and the long-term harmonious cooperation with the package manufacturers experience, so we can still maintain a considerable competitive advantage and market share in niche hook up system, factory system rectification and exhaust pipe system

(2) Shoe machine industry

The development of shoe-making machinery products requires the combination of professional design knowledge, oil control, electronic, control system and application technology. "Chengfeng" has marketed more than three decades and has a certain brand advantage in lasting machine and cutting machine. In addition, Chengfeng has good relationship with our customers and continue to cooperate with customers and brand manufacturers to develop new products, improve processes and maintain a leading position in the market.

(3) Precision components integration manufacturing industry

Precision components manufacturing industry is a combination of capital and technology-intensive industries, requirements for the certification process is quite demanding, The Company has become a major supplier through its long-term relationship with the world's leading manufacturers. The quality also is refined to achieve the top level of the world's top manufacturers required.

(4) Water resources industry

At present, there are not many manufacturers engaged in seawater desalination projects in the country. However, as the government gradually attaches importance to the development of water resources, "Renewable Water Resources Development Ordinance" approved last year to relieve the pressure on the existing water supply facilities. With government support, it is bound to increase the willingness of domestic manufacturers to invest in the water

resources industry. Apart from strengthening existing technologies, the Company also proactively combines professional manufacturers and technical teams to enhance its service and competitiveness in the market.

(3) Technology and R & D Overview

1. Technical level

Engineering R & D is to reorganize the material and equipment to improve its operational efficiency, rely on the accumulation of technical experience. The company has many achievements in the high-tech manufacturing plant exhaust system, pure waste water integration system project and project objects are all domestic manufacturers. In the future, the Company will continue to explore and develop products that meet the needs of various projects and enhance the performance of the engineering product.

In response to the possible impact brought by German Industry 4.0 and AMP (Advanced Manufacturing Partnership Program), the shoe-making equipment will seek opportunities for cooperation with the academia or research institutes to actively invest in the research and development of "smart shoemaking" solutions.

The company in the production of precision equipment components with computer integrated manufacturing (CIM) technical capabilities, and with Japan's advanced CNC multi-axis milling machine composite processing machine, vertical / horizontal integrated processing machine, vertical lathe, vacuum leak detection system, chemical cleaning line, aerospace, defense sub-line and precision measurement equipment. Establish stainless steel, aluminum plate welding technology in order to undertake various types of large-scale high-vacuum chamber, with unique technology integration to expand business areas. CHENFULL won the American Welding Society (AWS) certification in March, 2011 to become the first welding technician certification testing agency (ATF). And gradually develop key components Critical Part / module Localization with the international manufacturers to reduce the cost of imports, improve delivery efficiency, create value for the domestic market, effectively help customers improve their product competitiveness.

Construction and operation and maintenance in desalination plant engineering and water recycling center must have expertise and skills and the actual operating experience. The Company's seawater desalination plant in Magong, Penghu officially entered its operation period in July 2012, possessed the operational experience of the largest desalination plant in the country.

2. Research and development

(1) Factory system engineering industry

The Company is engaged in the semiconductor industry process required for the system planning, design, construction and production equipment and the main system to provide Hook-up. The project adopts task grouping to select suitable personnel for R & D improvement.

(2) Shoe machine industry

Shoe machine career department of the permanent development department, based on customer needs and experience in the use of design and modification to improve existing products, the establishment of automation technology to integrate energy, enhance product added value, and continue to develop the product application technology to meet the special needs of customers. There are three main development directions:

1. Enhance the cost-effective of existing machinery and equipment
2. New machinery to streamline or consolidate existing shoemaking processes, including automated machinery.
3. Machinery and equipment required by shoe manufacturing new process.

(3) Precision components integration manufacturing industry

Precision components are under the extremely strict quality requirements, the workpiece vulnerable to stress in the process of deformation. Products from the development stage to mass production process need for professional process disassembly process, NC program writing and jig tool used to achieve good precision control. Business Department set up product engineering department to evaluate the development of new products, Ingenious process to reduce costs, improve yield, cooperate with the precision three-dimensional quantitative bed (CMM) measurement and AS9100 quality assurance system certification, which had excellent performance of precision components processing. The high precision machining capacity combined with stainless steel, aluminum plate welding technology successfully undertakes various types of large-scale vacuum chamber. The business extends to optoelectronics, semiconductor manufacturing process equipment key components.

3. Research and development personnel and experience

Item	Year	2015	2016	2017
Numbers of employees		48	51	60
Average years of service		7.81	8.15	7.61
Education level	University&College	38	40	46
	Ph.D.&Master's	10	11	14

4. R & D expenses in the most recent year and up to the date of printing of the annual report
Unit:NT\$'000

2017	2018 January~March
62,248	16,772

5. Successful technology or products

Year	Successful technology or products
2016	<p>1.Completed CF-9500 Vamp compression molding development</p> <p>2.Completed CF-710EN Numerical control powerful wallsole attaching development</p> <p>3.Completed CF-RFID Identification function V1.0 for CF-777MAX/CF-658S/CF-712C</p> <p>4.Completed CF-VAid V2.0 for CF-777MAX</p> <p>5.Completed CF-Console V1.0 for CF-777MAX/CF-658S/CF-712C</p> <p>6.Completed CF-723Automatic alignment fitting sole attaching</p> <p>7.Developed B787 302 New generation passenger aircraft fuselage structure</p> <p>8.Completed Bizarre GE90 engine blade turning to milling machine processing</p> <p>9.Developed LEAP Engine Case Engine combustion section casing etc.</p> <p>10.Developed AMAT CVD Aluminum alloy new model process chamber(4300series,5500 series,20Kseries,25Kseries,40Kseries,50Kseries,55Kseries,60Kseries)etc.</p> <p>11.Developed AMAT CVDA luminum alloy new model LoadLock Cavity (5500 series, 25K series 40K series, 55K series) and so on.</p> <p>12.Developed AMAT CVDLarge size G10.X luminum alloy process chamber (100K series)etc.</p> <p>13. Developed AMAT CVD stainless steel TRANSFER CHAMBER Process transmission chamber(25K & 60KX series)etc.</p> <p>14.Developed AMAT PVDstainless steel each series new chamber (25K-DTseries ,55K-DTseries ,60K-DTseries, 25K PIVOTseries, 55K PIVOTseries,AR2200 series)etc.</p> <p>15.Developed MOCVD CHAMBER chamber & SHOWER HEAD etc. with China's leading semiconductor equipment manufacturers.</p> <p>16.Completed cooperation with Taiwan's leading semiconductor equipment manufacturers. Developed CHAMBER related components.</p>
2017	<p>1. Complete CF-639AL women's shoes heel lasting machine development.</p> <p>2. Complete the CF-756DTA hydraulic energy saving system cutting machine development.</p> <p>3. Completed CF-756DTB oil pressure energy saving system cutting machine development.</p> <p>4. Complete the CF-Console improvement.</p> <p>5. Completion of the CF-777MAX+ appearance change at Guangzhou Exhibition.</p>

Year	Successful technology or products
	<p>6. Completion of development of CF-711BNX numerically powerful wall sole attaching machine.</p> <p>7. Complete CF-712CX sole attaching machine development.</p> <p>8. Develop a new generation of green energy engine, GE LEAP machine, HPC EXTENSION CASE machining.</p> <p>9. Development of B787 fuselage structure FLAP SPRT AUX B RLLR RIB machining.</p> <p>10. Development of MRJ fuselage structural parts FITTING-OUTBD, ACTR, AILERON machining.</p> <p>11. Development of TFT flat panel display process equipment CVD 65K series, 100K series and other new modules and new configurations (5500, 20K, 25K, 40K, 60K series).</p> <p>12. Development of TFT flat panel display process equipment PVD 65KV-DT, 65K PIVOT, AR3000 series new modules and new configurations (25K/55K PIVOT, 25KV/55KV-DT, NAR2200 series).</p> <p>13. Development of AMAT CVD stainless steel TRANSFER CHAMBER process transfer chambers (25KPXi series).</p> <p>14. Development of domestic semiconductor VTM CHAMBER aluminum alloy WELD CHAMBER, Load Lock Chamber Body, octagonal cavity, CHAMBER LL & Lid, stainless steel Diffuser Chamber and so on.</p> <p>15. Development of leading manufacturers of semiconductor equipment in mainland China New generation SHOWER HEAD 1.0 MOCVD HT manufacturing.</p> <p>16. Development of OLED flat panel display process equipment Aluminum alloy manufactured by UNLOAD CHAMBER.</p>

(4) Long-term and Short-term Development

1. Short-term Development

- (1) Continue to train project management personnel, strengthen project integration, material preparation and supply chain energy, to enhance the competitiveness of the project.
- (2) Complete the Full Servo-controlled Tracer Cement Side & Heel Lasting Machine development, with CF-658S Full Servo-controlled Tracer Cement Side & Heel Lasting Machine, reach the goal of all servo tracks glue sticks to lay the foundation for automated knot and continue to study the automation of new process applications.
- (3) Develop new process equipment with brands, in response to customer orders and the trend of localized production. Work with material suppliers to develop equipment for new shoe materials, and develop a universal sole attaching machine.
- (4) Actively expand the company's precision technology capacity and become an important partner of international equipment manufacturers, building modules and sub-systems manufacturing energy, became a vacuum chamber module and subsystem of the main suppliers.

- (5) Undertake orders from international aviation manufacturers through AIDC. Pioneering a new generation of aircraft engines related to the key components business.
- (6) Strengthen the professional and experience in the design, construction and operation of desalination plants.

2. Long-term Development

- (1) Gradually expand the execution energy of large plant engineering project.
- (2) Integrate shoe-making machinery and equipment control system, and build network communication standard interface. Make all types of products have interconnection function, and then develop its own 4.0 productivity solutions.
- (3) Develop and expanse various types of vacuum coating process equipment components, modules and systems integration manufacturing operations in confidential areas of science and technology. Expand the display, semiconductor and other industrial applications, and cooperation with customer strategy, to develop key components of localized production.
- (4) Intensify integration technologies that comply with military aerospace industry standards and expand business opportunities in the defense industry supply chain.
- (5) Establish intelligent production (Industry 4.0), Import PLM (Product Lifecycle Management) and optimize the production efficiency, speed and flexibility of engine blades (OGV).

2. Market and sales

(1) Business Scope

1. Main areas of business operations

Unit: NT\$'000 ; %

Area		2017	
		Amount	%
Domestic sales		1,559,197	48.80
Sale abroad	America	281,699	8.82
	Asia	1,334,428	41.76
	Other	19,991	0.63
Total		3,195,315	100.00

2. Market share

(1) Plant system engineering

Because pipeline systems engineering services cover all industries, such as semiconductor, telecommunications and optoelectronics, the market share can not

be calculated on a single market. The construction content of the project is very different and it is impossible to calculate the market share of the company on the basis of consistency.

(2) Shoe machine industry

The world's main shoe supply areas is Asia, especially in China, Vietnam and other Southeast Asian countries, the output accounts for about half of global supply, The company provides footwear equipment to a number of the world's top several shoe factories in Taiwan. Therefore, a considerable proportion of the global footwear products is manufactured by the shoe machine of the company.

(3) Precision components integration manufacturing industry

In the optoelectronic process equipment industry, the Company is a major supplier of vacuum chamber equipment for the panel industry, supplying a large proportion of large, high-vacuum chambers to market leading display panel equipment manufacturers.

In the defense industry, the Company successfully developed the electronic control cabinet by the Ministry of Economic Affairs's industrial cooperation. Become one of the only two suppliers of the customer, and are the only suppliers in some parts provided.

In the aerospace industry, the Company is one of the major suppliers of Aerospace Industrial Development Corporation. After putting into the special engine casing processing machine in 2006, accounting for the global total supply of 40% to 50% in the CFM-56 engine case precision machining market and also have 50% market share in the GE-90 engine fans OGV precision machining.

(4) Water resources industry

According to statistics from the Water Resources Department of the Ministry of Economic Affairs, there were 22 sea-desalination plants operating in Taiwan by the end of 2016,. The actual annual production of water was 7.35 million cubic meters. The CHENFULL's two desalination plants in Penghu, which supply 10,400 tons of freshwater per day, are the largest desalination plants in the country. Meeting the 60% desalination water demand in the Penghu region and accounting for 52% of the domestic desalination plants' market share. Water resources industry covers a wide range of industries, cannot be a single industry of statistical output value and market share.

2. Market supply and demand in the future and growth

(1) Plant system engineering

The business opportunities of special pipeline engineering services lie in the demand for upgrading and maintenance of high-tech and semi-conductor industries as a result of investment and plant planning or equipment upgrades, In

2018, the capital expenditure of the semiconductor industry will continue to increase, and its future growth will be good.

(2) Shoe machine industry

The steady growth of global footwear consumption, coupled with emerging countries such as China, India's economic rise, increased purchasing power, Footwear manufacturers in the case of labor shortage, it is bound to adopt a more automated machine to replace labor to save costs and increase production. In response to high-tech smart shoes business opportunities, Shoe machine industry will still grow in the future.

(3) Precision components integration manufacturing industry

The photoelectric process equipment industry continued to strengthen its cooperation with high-vacuum coating equipment manufacturers and expanded its business scope to provide more comprehensive services to related industry.

Aerospace industry has entered a period of vigorous development, with Asia as the mainstay of the aerospace industry has been formed. In addition to maintain the co-orders model with Aerospace Industrial Development Corporation, the Company also strengthen the ability and competitiveness of independent orders, to expand aerospace business. In addition, the successful development of the company's electronic control box will also let the company extending to the defense industry, to further ensure that the aerospace business to enhance.

(4) Water resources industry

According to statistics from the Ministry of the Interior, siltation in Taiwan is a serious problem. The remaining two-thirds of the reservoir capacity of 50 reservoirs, only half possible by 2030, at that time, it will not be able to support the water supply of 23 million people in Taiwan. The government is now accelerating the promotion of a plan to recycle and reuse water discharged from public sewage treatment plants to facilitate the use of reclaimed water as a partial alternative source of water. The Ministry of the Interior and the Ministry of Economic planned eight sewage treatment plants from south to north. It is expected that in 2016, some of the domestic sewage will be recycled to solve the problem of water shortage. At present, Taiwan lacks the location and conditions for the rebuilding of a large reservoir. Seawater desalination and sewage recovery and reuse project development will be the mainstream trend of the future.

3. Competitive base

- (1) Range of business is wide, can effectively reduce the single industry risk of business cycle.
- (2) Being one of the few domestic manufacturers that have the ability to integrate process equipment.

- (3) Owns innovative develop capabilities and advanced technology, and the product has won many awards. Obtained about one hundred patent certificates and rank the leading position in the industry.
- (4) Being one of the few domestic manufacturers have a professional certification aircraft, and won the American Welding Association certification to become Taiwan's first welding technician certification testing agency (ATF) in March 2011. Welding technology is the top in the country
- (5) In 2013, the company obtained the special traditional process of Nadcap International Certification Organization – Hole–Machining Certification. Have a complete system of operations precision components manufacturing technology, quality assurance systems, made the Company become a global supplier from a regional supplier.
- (6) Desalination technology using the latest technology abroad, which is quite favorable for the relevant projects in the future.

5. Favorable factors, unfavorable factors and countermeasures:

(1) Favorable factors

A. Plant system engineering industry

CHENFULL has attached to the plant engineering for nearly three decades, is rich in construction experience of large-scale construction, The ironworks and pipes needed for construction are produced by themselves, effectively controlling costs and progress of the project.

B.Shoe machine industry

Set up marketing and service locations in China and Southeast Asia to deal with customer response at any time. Coupled with the the brand image and product reliability of CHENFENG, the company's shoe-making machine trusted by customers.

C.Precision components integration manufacturing industry

The Company has aluminum plate welding and precision machining, providing vacuum chamber and the key components of the integrated manufacturing. In the technology, quality, cost and delivery are all competitive. In recent years, the aerospace industry, manufacturing and sales focus on the Asian region.The company has established a considerable degree of engineering, manufacturing and quality assurance energy.

D.Water resources industry

CHENFULL owns the largest seawater desalination plant design, construction and operation experience. And have the ability to build sewage treatment plants, and gradually from the project case of accumulated water resources handling experience.

(2) Unfavorable factors

A. Plant system engineering industry

Domestic and foreign competition with the industry. Manufacturers lower prices in competition, reduce profit margins.

B. Shoe machine industry

Shoe machine industry growing up very fast in China, coupled with rampant counterfeiting, causing the company's Shoe machine industry operating under pressure. Due to the long life of shoe machine, the old machine flooded the market, hinder the sale of new machines.

C. Precision components integration manufacturing industry

Customer demand for optoelectronic cavity equipment is quite large, the company's production capacity has been quite urgent, technical staff also need expansion.

Domestic aerospace industry is still in the development stage, lack of large-scale leading manufacturers, industrial supply chain has not yet fully prepared.

D. Water resources industry

The development of domestic environmental protection industry is not yet mature, and the key technologies are all in foreign countries. Malicious competition among some of the projects by small and medium-sized companies has caused owners to reduce their budgets for related projects, reduce profit margins.

(3) Countermeasure

A. Plant system engineering industry

Further evaluate the estimated cost of undertaking case and develop long-term and excellent outsourcing manufacturers. Keep track of the changes in the purchase and outsourcing prices during the construction period to effectively reducing the risk of changes in the price of procurement and outsourcing.

B. Shoe machine industry

Clear product positioning, strengthen the marketing with brand advantage and service bonus. Engaged in renovation of the old machine and thus enhance sales.

C. Precision components integration manufacturing industry

Actively expand the capacity of optoelectronic process equipment, purchase and update equipment, and continue to increase technical staff. Cooperation with the world's leading manufacturers to jointly set the industry specifications.

Integrate resources with peers to co-purchase quotations in aerospace industry and enhance the competitiveness of orders.

D. Water resources industry

Integrate resources with peer companies, upgrade related technologies to reduce costs and enhance competitiveness. By participating in the government and private important water resources project performance to develop ability.

(2) The main purpose of the main products and production process:

1. The main purpose of the main products

(1) Plant system engineering industry

Mainly provide high-tech electronics industry and the semiconductor industry's special gas pipeline system and process piping system integration services to enhance productivity and yield rate.Reduce the customers' cost of production.

(2) Shoe machine industry

Footwear products are widely used, including sports shoes, leather shoes and casual shoes. According to the type of shoes, type and material using a specific shoe-making production line of machinery and equipment,

(3) Precision components integration manufacturing industry

Optoelectronic equipment industryis based on vacuum chamber and related key components integrated manufacturing. Aerospace industry is the manufacture and processing of aircraft engine components and aircraft fuselage structural parts.

(4) Water resources industry

Construction and operation of the desalination project, sewage reuse engineering and related ancillary businesses.

(3) Supply Status of Main Materials

1. Factory System Engineering Industry

The Company material equipment procurement is different depending on the provisions of the contract. Apart from some material-labor contracts, the other purchase their own self. The main materials are damper, pipe, flanges, built-in materials, and establish a stable supply partnership with the raw materials suppliers.

2. Footwear machinery and aerospace industry

Due to the characteristics of the industry, the feeding costs mainly include raw materials, outsourcing processing and self-processing, and it can not be absolute cut to achieve the state of using. There are 7 ~ 8,000 specie of the raw materials items, and there is no major raw materials that account for more than 20% of the total

purchase amount. Because the items are complex and no major single raw materials, the important parts such as machine body, cut off the seat are mostly designed and commissioned other company to create.

- (4) The name of a customer who has accounted for more than 10% of the total sales in a of the recent two years. List the amount and proportion of the sale, and explain the reasons for the changes:

1. Major Clients in the Last Two Calendar Years

Unit: NT\$'000 ; %

2016				2017				2018(As of March 31)			
Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
SG0002100	793,316	25%	None	SG0002100	925,365	29%	None	SG0002100	202,576	28%	None
TW3B013300	694,480	22%	None	TW3B013300	846,564	26%	None	TW3B013300	130,523	18%	None
US00003700	397,423	12%	None	US00003700	231,691	7%	None	US00003700	30,602	4%	None
TW40140600	325,462	10%	None	TW40140600	282,384	9%	None	TW40140600	67,984	9%	None

Overviewing the company's sales customers in the last two years, except for the original factory engineering of semiconductor engineering project, the newly added long-term project and the customer's engineering cooperation are handled by the project. The contracted projects scheduled for the construction period in the contract. Therefore, when the construction progress of projects with high total contract price is concentrated in a certain period, the sales volume in the period will be more concentrated. This is an industry characteristic of the Company instead of depending on particular customers, so there is no risk of concentration of sales. Footwear machinery and precision machining industry are affirmative because of the product characteristics and technical thresholds. Construct a deep and stable supply chain with customers. Therefore, the company's sales target is stable in the recent two years.

2. The name of a customer who has accounted for more than 10% of the total purchase in a of the recent two years and list the amount and proportion of the sale

None. Depending on the project and the specifications of each project construction, the suppliers will also be different, resulting in some changes in the suppliers for each year. This is due to the characteristics of the industry.

- (5) Production in the Last Two Years

Unit: NT\$ thousands

Output Major Products	Year	2016			2017		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount

Factory System Engineering	〈 Note1 〉	〈 Note1 〉	513,938	〈 Note1 〉	〈 Note1 〉	515,014
Tube fittings			19,851			22,236
Shoe machine		2.2	544,906		1.8	437,429
Aerospace and Optoelectronics semiconductors	〈 Note2 〉	〈 Note2 〉	998,536	〈 Note2 〉	〈 Note2 〉	1,135,744
Desalination	5,785,000 tons	3,806,000 tons	101,921	5,785,000 tons	3,794,000 tons	103,218
Total	-	-	2,179,152	-	-	2,213,641

Note1 : Professional special pipe project, and all the construction projects undertaken by them are designed, constructed and tested according to the needs of the customers. Each project has its own independence and no consistent number of statistical units. Therefore, its production capacity and quantity can not be listed.

Note2 : Order- processing or production can not be calculated.

Shipments and Sales in the Last Two Years

Unit: thousands /NT\$ thousands

Shipments& sales Major Products	Year	2016				2017			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Pipeline and system integration project		〈 Note1 〉	725,052	〈 Note1 〉	-	〈 Note1 〉	857,327	〈 Note1 〉	25,403
Tube fittings			31,231		-		24,387		2,313
Shoe machine		0.7	246,267	1.5	488,789	0.41	148,070	1.4	404,389
Aerospace and Optoelectronics semiconductors		〈 Note2 〉	404,200	〈 Note2 〉	1,213,454	〈 Note2 〉	411,063	〈 Note2 〉	1,204,013
Desalination		3,806,000 tons	110,372	-	-	3,794,000 tons	108,203	-	-
Other		-	5,191	-	203	-	10,147	-	-
Total		-	1,522,313	-	1,702,446	-	1,559,197	-	1,636,118

Note1 : Professional special pipe project, and all the construction projects undertaken by them are designed, constructed and tested according to the needs of the customers. Each project has its own independence and no consistent number of statistical units. Therefore, its production capacity and quantity can not be listed.

Note2 : Order- processing or production can not be calculated.

3. Human Resources

Year		2016	2017	March 31, 2018
Number of Employees	Operator	430	439	429
	Technical	175	182	188
	Management	274	282	279
	Total	879	903	896
Average Age		35.12	37.05	37.37
Average Years of Service		5.72	6.55	6.48
Education	Ph.D.	0	0	0
	Masters	49	59	60
	Bachelor's Degree	559	580	572
	Senior High School	233	231	232
	Below Senior High School	38	33	32

4. Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2016 up to publication date in 2018: None

5. Employee Relations

(1) Employee benefits program

1. Labor Capital Conference: Regular or temporary meetings are held to help labor-management relations, promote labor-capital cooperation and enhance work efficiency.
2. Employee Welfare Measures:

The company attaches great importance to the policy of employee benefits, in order to implement the established purpose of taking care of employee life and giving back to society, the company's welfare measures are as follows:

(1) Employee welfare

In order to promote staff welfare, the Company set up an Employee Benefits Committee to allocate welfare funds, and be responsible for the planning and implementation of various activities related to employees' welfare.

(2) Employee insurance

All employees are entitled to labor insurance, national health insurance and group insurance coverage

(3) Year-end bonuses

The company issue year-end bonuses before the Chinese New Year according to the operating conditions at the end of each year.

(4) Employee compensation

The company profits each year to provide a certain percentage of employee remuneration

(5) Scholarship program

To encourage employees for advanced training, if necessary, subsidize the cost of training.

(6) External training courses

The Company formulated the "Measures for the Administration of Education and Training", planned employee-related training courses according, set education and training expenditures each year to arrange a variety of quality management, product development, production management, marketing management, management functions and other education and training activities. Send personnel to the relevant human resources institutions for training or participation in the class if necessary. In 2016, approximately 5,484 employees of the Company engaged in external and internal functional education and training, reaching 16,751 hours of training hours. Responding to the VTC's "Corporate Human Resource Improvement Program," and receive some subsidies from the government. In

addition, the introduction of online EMBA learning system provided different training platform and peer colleagues

(7) Employee salary and bonus system implementation.

(8) Employee dorm and cash gifts.

(9) Book borrowing, domestic and foreign tourism and other staff activities.

3. Financial related employees obtained the relevant certification

Accounting Manager, Yi-Hua, Chen and Audit manager, Ya-Hai, Chen have R.O.C. Certified Internal Auditors (CIA) License

4. Retirement system and implementation:

The Company's pension system under the "Labor Standards Law" is a defined benefit retirement plan. Staff pension funds are paid monthly at a rate of 2% of employees' salaries and are deposited in a special account of Bank of Taiwan as a source of funds for pension payments. Employee retirement and calculation method of pension payment are according to the Labor Standards Law. Employees have the option of continuing to apply the pension provisions of the "Labor Standards Law" or the pension scheme under the Labor and Pensions Ordinance and retain the working years before the application of the Ordinance. The Company has already set employee retirement measures in accordance with the Ordinance. From July 1, 2005, the Company will allocate 6% of the employees' monthly salary to the individual pension accounts of the Labor Insurance Administration.

5. Employee behavior/ethical standards

(1) The staff of the Company should abide by the Code of Ethics and Conduct during the service period. Uphold the principle of honesty and credit in the performance of their duties to prevent conflicts of interest with the Company and to make profits for themselves. Be confidentially responsible for the Company's information. Treat the Company fairly and honestly. It is not allowed to sell goods or receive any form of gifts, rebates or other improper benefits for the benefit of individuals, companies or third parties.

(2) The company's assets should be properly protected and used, and indeed compliance with laws and regulations. Encourage the reporting of any illegal behavior or contrary to ethical code of conduct.

(3) Any violation of the employee, except in accordance with the law or company-related provisions, should be immediately informed of the public notice.

6. Internal major information processing procedures:

The directors, supervisors, managers and all employees of the Company shall comply with the major internal information processing procedures and shall not disclose any major internal information. It also has the responsibility to disclose the disclosure of significant information in the system of handling major internal information agencies and spokespersons.

7. Employee negotiations

In recent years, the company has always upheld the principle of "fairness, reasonable and legal" to communicate and coordinate with employees. Both employers and employees have no dispute under the fair treatment.

(1) Departments meeting:

Communicate appropriately with employees By this meeting, so that employees can be fully understood in production operations, safety and health and quality control.

(2)Employee welfare Committee Meeting:

Both employers and employees can discuss various welfare measures with each other in this meeting to strengthen mutual relations and serve as a reference source for administration.

8. Employee safety and sanitary policy

The company has obtained OHSAS18001 occupational health and safety management system, effectively managed and controlled occupational safety risks and set up a friendly, safe and healthy workplace in accordance with the Occupational Safety and Health Law. Labor safety and health regulations and methods are revealed in the internal public website, each employee can refer to at any time. The main measures are summarized as follows:

1. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
2. A Health and Safety Committee was set up to draft a plan to prevent job injuries, ensure compliance and conduct periodic reviews of related rules on employee health and sanitary improvement solutions.
3. Full-time professional nursing personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold talks on health promotion. Employees who are able to administer first aid treatment have been placed in each work area.
4. Develop and follow relevant measures to ensure the working environment and personal safety of employees.

- (2) The losses suffered as a result of labor disputes in the most recent year and up to the printing date of the annual report, and disclose the estimated amounts that may occur in the future: None.

6. Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering contract	Taiwan Water Corporation	2007.02.07~ Obligation to complete the date of the contract	The construction and operation of the 5,500-ton desalination plant in Magong	None
Engineering contract	Taichung City Government	2012.10.5~ Obligation to complete the date of the contract	Taichung City Putzu water recycling center new construction and operation and maintenance management	None
Sales contract	Aerospace Industrial Developmant Corporation	2015.03.17~2030.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2014.10.14~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2013.10.01~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2015.02.05~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2015.03.13~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2015.01.20~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2014.10.21~2018.12.31	Aircraft structural components manufacturing and processing	None
Equipment Purchase Contract	Lih Jeng Machinery Co., Ltd	2016.09.10~ Completion of the transfer	MAZAK processing machine	None
Sales contract	Aerospace Industrial Developmant Corporation	2014.10.21~2018.12.31	Aircraft structural components manufacturing and processing	None
Sales contract	Aerospace Industrial Developmant Corporation	2014.12.11~2018.12.31	Aircraft structural components manufacturing and processing	None
Civil Engineering Contract	Fu Tai Construction Co., Ltd	2017.02.15~ The project is completed	Taiching second phase construction of civil engineering	None
Electrical and Mechanical Fire and Air Conditioning Contracts	Fu Tai Construction Co., Ltd	Civil engineering completion - The project is completed	Taiching second phase construction of electrical and mechanical fire and air conditioning	None
Equipment Purchase Contract	Hao Li Mechanical and Electrical Co., Ltd.	2017.11.28~ The project is completed	Dynamic beam type gantry vertical machining center	None

Chapter 6 Financial Highlights

1. Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2013-2017) – Based on IFRS

Unit: NT\$'000

<div>Year</div> <div>Item</div>		Financial Summary for The Last Five Years (Note1)					2018 up to March 31 Financial information (Note1)
		2013	2014	2015	2016	2017	
Current assets		2,179,856	2,270,021	2,702,610	3,014,974	2,736,730	2,548,267
Property, plant and equipment (PP&E) (Note2)		1,016,915	983,634	924,816	868,604	1,578,084	1,656,295
Intangible assets		1,341	-	-	-	-	-
Other assets (Note2)		1,066,229	1,030,574	943,732	761,184	621,614	650,221
Total assets		4,263,000	4,284,229	4,571,158	4,644,762	4,936,428	4,854,783
Current liabilities	Before appropriation	1,596,340	1,368,375	1,399,879	1,230,836	1,377,079	1,198,057
	After appropriation (Note3)	1,734,871	1,600,890	1,659,902	1,549,956	-	-
Non-current liabilities		154,797	167,296	175,724	155,549	146,980	144,726
Total liabilities	Before appropriation	1,751,137	1,535,671	1,575,603	1,386,385	1,524,059	1,342,783
	After appropriation (Note3)	1,889,668	1,768,186	1,835,626	1,705,505	-	-
Equity attributable to owners of the parent company		2,511,863	2,748,558	2,995,555	3,258,377	3,412,369	3,512,000
Paid-in capital		1,181,925	1,181,925	1,181,925	1,181,925	1,181,925	1,181,925
Capital surplus		816,149	829,421	877,793	878,413	879,173	879,173
Retained earnings	earnings Before appropriation	580,568	783,599	949,647	1,220,507	1,372,673	1,471,011
	After appropriation (Note3)	442,037	551,084	689,624	901,387	-	-
Other equity interest		(11,524)	(7,540)	(8,605)	(17,263)	(16,197)	(14,904)
Treasury shares		(55,255)	(38,847)	(5,205)	(5,205)	(5,205)	(5,205)
Non-controlling interest		-	-	-	-	-	-
Total equity	Before appropriation	2,511,863	2,748,558	2,995,555	3,258,377	3,412,369	3,512,000
	After appropriation (Note3)	2,373,332	2,516,043	2,735,532	2,939,257	-	-

(Note1) : The above financial information has been checked or verified by an accountant and has not been corrected or restructured as required by the Administration in the recent five years.

(Note2) : None of the above-mentioned seasons revalued assets.

(Note3) : The figures after appropriation are filled according to the shareholders' meeting in the next year

Consolidated statements of comprehensive income (2013-2017) – Based on IFRS

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note)					2018 up to March
	2013	2014	2015	2016	2017	31 Financial information (Note)
Operating revenue	2, 457, 317	2, 966, 743	3, 085, 254	3, 224, 759	3, 195, 315	722, 235
Gross profit	532, 208	733, 438	923, 413	1, 015, 267	971, 225	207, 978
Operating income	212, 406	353, 828	511, 641	633, 902	606, 478	119, 187
Non-operating income (expenses)	4, 668	43, 138	(29, 380)	14, 610	(24, 940)	(14, 082)
Pre-tax income	217, 074	396, 966	482, 261	648, 512	581, 538	105, 105
Income from continuing operations	187, 468	350, 669	412, 422	531, 977	474, 162	97, 055
Loss from discontinued operations, net of tax	–	–	–	–	–	–
Net income	187, 468	350, 669	412, 422	531, 977	474, 162	97, 055
Other comprehensive income (after tax)	4, 826	(5, 123)	(14, 924)	(9, 752)	(1, 810)	2, 576
Comprehensive income	192, 294	345, 546	397, 498	522, 225	472, 352	99, 631
Profit attributable to owners of the parent company	187, 468	350, 669	412, 422	531, 977	474, 162	97, 055
Profit attributable to non-controlling interest	–	–	–	–	–	–
Comprehensive income attributable to owners of parent company	192, 294	345, 546	397, 498	522, 225	472, 352	99, 631
Comprehensive income attributable to non-controlling interest	–	–	–	–	–	–
EPS (NT\$)	1. 63	3. 04	3. 53	4. 51	4. 02	0. 82

(Note) : The above financial information has been checked or verified by an accountant and has not been corrected or restructured as required by the Administration in the recent five years.

Separate Condensed Balance Sheet (2013-2017) – Based on IFRS

Unit: NT\$'000

Year Item		Financial Summary for The Last Five Years (Note1)				
		2013	2014	2015	2016	2017
Current assets		2,263,232	2,349,857	2,721,971	3,019,175	2,646,511
Property, plant and equipment (PP&E) (Note2)		993,395	903,347	861,389	813,996	1,527,346
Intangible assets		-	-	-	-	-
Other assets (Note2)		925,061	935,351	907,873	764,677	679,871
Total assets		4,181,688	4,188,555	4,491,233	4,597,848	4,853,728
Current liabilities	Before appropriation	1,515,033	1,272,701	1,319,954	1,183,922	1,294,379
	After appropriation (Note3)	1,653,564	1,505,216	1,579,977	1,503,042	-
Non-current liabilities		154,792	167,296	175,724	155,549	146,980
Total liabilities	Before appropriation	1,669,825	1,439,997	1,495,678	1,339,471	1,441,359
	After appropriation (Note3)	1,808,356	1,672,512	1,755,701	1,658,591	-
Equity attributable to owners of the parent company		2,511,863	2,748,558	2,995,555	3,258,377	3,412,369
Paid-in capital		1,181,925	1,181,925	1,181,925	1,181,925	1,181,925
Capital surplus		816,149	829,421	877,793	878,413	879,173
Retained earnings	earnings Before appropriation	580,568	783,599	949,647	1,220,507	1,372,673
	After appropriation (Note3)	442,037	551,084	689,624	901,387	-
Other equity interest		(11,524)	(7,540)	(8,605)	(17,263)	(16,197)
Treasury shares		(55,255)	(38,847)	(5,205)	(5,205)	(5,205)
Non-controlling interest		-	-	-	-	-
Total equity	Before appropriation	2,511,863	2,748,558	2,995,555	3,258,377	3,412,369
	After appropriation (Note3)	2,373,332	2,516,043	2,735,532	2,939,257	-

(Note1) : The above financial information has been checked or verified by an accountant and has not been corrected or restructured as required by the Administration in the recent five years.

(Note2) : None of the above-mentioned seasons revalued assets.

(Note3) : The figures after appropriation are filled according to the shareholders' meeting in the next year

(Note4) : The Company does not need to compile its own individual financial report for the first quarter of 2018 according to laws and regulations.

Separate statements of comprehensive income (2013-2017) – Based on IFRS

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note1)				
	2013	2014	2015	2016	2017
Operating revenue	2,237,830	2,719,792	2,796,962	3,017,926	3,002,408
Gross profit	501,444	698,274	872,382	978,965	944,770
Operating income	207,592	348,480	494,123	626,783	603,474
Non-operating income (expenses)	6,982	46,077	(13,915)	20,320	(23,182)
Pre-tax income	214,574	394,557	480,208	647,103	580,292
Income from continuing operations	187,468	350,669	412,422	531,977	474,162
Loss from discontinued operations, net of tax	-	-	-	-	-
Net income	187,468	350,669	412,422	531,977	474,162
Other comprehensive income (after tax)	4,826	(5,123)	(14,924)	(9,752)	(1,810)
Comprehensive income	192,294	345,546	397,498	522,225	472,352
Profit attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
EPS (NT\$)	1.63	3.04	3.53	4.51	4.02

(Note1) : The above financial information has been checked or verified by an accountant and has not been corrected or restructured as required by the Administration in the recent five years.

(Note2) : The Company does not need to compile its own individual financial report for the first quarter of 2018 according to laws and regulations.

Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2013	Deloitte & Touche	Yi-Hui, Lin, Hui-Ming, Chen	Unqualified opinion
2014	Deloitte & Touche	Yi-Hui, Lin, Hui-Ming, Chen	Unqualified opinion
2015	Deloitte & Touche	Yi-Hui, Lin, Hui-Ming, Chen	Modified unqualified opinion
2016	Deloitte & Touche	Yi-Hui, Lin, Hui-Ming, Chen	Unqualified opinion
2017	Deloitte & Touche	Yi-Hui, Lin, Hui-Ming, Chen	Unqualified opinion

2. Financial Analysis

Consolidated financial analysis (2013-2017) – Based on IFRS

Item \ Year		Financial Analysis for the Past Five Years(Note)					2018 up to March 31 Financial information (Note)
		2013	2014	2015	2016	2017	
Financial structure (%)	Liabilities to assets ratio (%)	40.54	35.84	34.47	29.85	30.87	27.66
	Long-term fund to PP&E ratio (%) (Note1)	261.00	296.44	342.91	393.04	225.55	220.78
Solvency (%)	Current ratio (%)	135.85	165.89	193.06	244.95	198.73	212.70
	Quick ratio (%) (Note2)	49.24	98.80	127.67	163.77	128.25	140.05
	Interest coverage ratio (%) (Note3)	21.42	113.74	99.20	-	493.41	229.99
Operations	Accounts receivable turnover (x)	6.38	5.17	4.98	5.25	5.24	5.46
	Average collection days	58.00	71.00	74.00	70.00	70.00	67.00
	Inventory turnover (x)	-	-	-	-	-	-
	Accounts payable turnover (x)	4.34	4.23	3.74	4.03	4.41	4.19
	Average days sales	-	-	-	-	-	-
	Property, plant and equipment turnover (x) (Note1)	2.33	2.97	3.23	3.60	2.61	1.79
	Total asset turnover (x)	0.60	0.69	0.70	0.70	0.67	0.59
Profitability	Return on assets (%)	4.77	8.27	9.41	11.54	9.92	1.99
	Return on equity (%)	7.52	13.33	14.36	17.01	14.22	2.80
	Pre-tax income as a % of paid-in capital	18.37	33.59	40.80	54.87	49.20	8.89
	Net income margin (%)	7.63	11.82	13.37	16.50	14.84	13.44
	EPS (NT\$)	1.63	3.04	3.53	4.51	4.02	0.82
Cash flow	Cash flow ratio (%)	7.78	74.55	38.24	62.78	53.89	15.79
	Cash flow adequacy ratio (%) (Note4)	48.34	101.34	103.32	162.42	129.40	156.99
	Cash reinvestment rate (%) (Note4)	0.41	31.82	9.59	14.06	10.75	4.66
Leverage	Operating leverage	1.65	1.38	1.26	1.20	1.21	1.27
	Financial leverage	1.05	1.01	1.01	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- (1) Long-term fund to PP&E ratio and Property, plant and equipment turnover: Due to taichung plant phase II expansion and purchase of taipei city office during the period.
- (2) Quick ratio: Mainly due to the above-mentioned (1) factor caused the net cash outflow from investment activities.
- (3) Interest coverage ratio: Because the funds is sufficient and no borrowing in this period.
- (4) Cash flow adequacy ratio and cash reinvestment rate: For the same reasons (1) and (2), the net cash outflow from investment activities increased, so the cash flow ratios in the current period decreased.

Note1 : The above financial information has been checked or verified by an accountant and has not been corrected or restructured as required by the Administration in the recent five years.

Note2 : The inventories of the Company include fittings, machine parts and construction in progress, etc. Due to the nature of the stock quite different, and most of them are of a nature of construction, Therefore, the calculation of the inventory turnover rate is not applicable.

Note3 : Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares (Note3)

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities

111

- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in

inventory + Cash dividends for the past 5 years) (2009-2011 numbers were calculated based on ROC GAAP)

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments +

Other assets + Working capital) (Note4)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

Separate financial analysis (2012-2016) – Based on IFRS

Item \ Year		Financial Analysis for the Past Five Years				
		2013	2014	2015	2016	2017
Financial structure (%)	Liabilities to assets ratio (%)	39.38	34.38	33.30	29.13	29.70
	Long-term fund to PP&E ratio (%) (Note1)	267.18	322.78	368.16	419.40	233.04
Solvency (%)	Current ratio (%) (Note2)	148.57	184.64	206.22	255.01	204.46
	Quick ratio (%) (Note2)	60.57	115.30	139.96	173.09	132.68
	Interest coverage ratio (%) (Note3)	23.20	124.65	106.94	-	492.36
Operations	Accounts receivable turnover (x)	3.75	3.64	3.56	3.88	4.13
	Average collection days	98.00	101.00	103.00	95.00	89.00
	Inventory turnover (x)	-	-	-	-	-
	Accounts payable turnover (x)	4.13	4.05	3.51	3.85	4.16
	Average days sales	-	-	-	-	-
	Property, plant and equipment turnover (x) (Note1)	2.16	2.87	3.17	3.60	2.56
	Total asset turnover (x)	0.55	0.65	0.64	0.66	0.64
Profitability	Return on assets (%)	4.84	8.44	9.59	11.71	10.05
	Return on equity (%)	7.52	13.33	14.36	17.01	14.22
	Pre-tax income as a % of paid-in capital	18.15	33.38	40.63	54.75	49.10
	Net income margin (%)	8.38	12.89	14.75	17.63	15.79
	EPS (NT\$)	1.63	3.04	3.53	4.51	4.02
Cash flow	Cash flow ratio (%)	6.30	76.09	33.20	62.24	57.25
	Cash flow adequacy ratio (%) (Note4)	57.10	113.13	85.65	150.97	126.08
	Cash reinvestment rate (%) (Note4)	(0.65)	24.56	5.51	11.41	9.54
Leverage	Operating leverage	1.60	1.34	1.23	1.17	1.18
	Financial leverage	1.05	1.01	1.01	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

(1) Long-term fund to PP&E ratio and Property, plant and equipment turnover: Due to taichung plant phase II expansion and purchase of taipei city office during the period.

(2) Current ratio and quick ratio: Mainly due to the above-mentioned (1) factor caused the net cash outflow from investment activities.

(3) Interest coverage ratio: Because the funds is sufficient and no borrowing in this period.

Note1 : The inventories of the Company include fittings, machine parts and construction in progress, etc.

Due to the nature of the stock quite different, and most of them are of a nature of construction,

Therefore, the calculation of the inventory turnover rate is not applicable.

Note2 : Net cash flows from operating activities cannot be negative

Note3 : Formulas for the above tables:

Financial structure

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

(2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover

(6) PP&E turnover = Net revenue / Average net PP&E

(7) Total asset turnover = Net revenue / Average total assets

Profitability

(1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares (Note3)

Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities

111

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in

inventory + Cash dividends for the past 5 years) (2009-2011 numbers were calculated based on ROC GAAP)

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments +

Other assets + Working capital) (Note4)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

3. Supervisors' Report for the Most Recent Year

Supervisors' Review Report

The Board of Directors has prepared the Company's 2017 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, Yi-Hui, Lin and Hui-Ming, Chen have audited the Financial Statements (including the Stand-alone & the Consolidated Financial Reports) and issued the audit opinions. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Supervisor of CHENFULL International Co., Ltd. According to Article 219 of the Company Act, we hereby submit this report.

CHENFULL International Co., Ltd

Supervisor

March 7, 2018

4. Financial Statements for the Years Ended December 31, 2016 and 2017, and Independent Auditors' Report

Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

March 7, 2018

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 as provided in International Accounting Standard 10 "Consolidated and Separate Financial Statements" Relevant information that should be disclosed in the consolidated financial statements of affiliates". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiaries companies as of and for the years. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year.

Very truly yours,

CHENFULL International Co., Ltd

Independent Auditors' Report

(Parent Company Only Financial Statements)

The Board of Directors and Shareholders
CHENFULL International Company Limited

Opinion

We have audited the accompanying parent company only financial statements of CHENFULL International Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies. In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2017 are stated as follows:

Accounts receivable impairment assessment

Please refer to Notes 4, 5 and 9 to the parent company financial statements.

The Company's net accounts receivable at December 31, 2017 was 413,453 thousand, accounted for 8.5% of total assets. The management provides allowances for bad debts mainly based on the age of accounts receivable and expected recoverable conditions. Since the allowances for bad debts affected by customer credit risk and related to significant estimates and judgments, accounts receivable impairment assessment has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Assessed the adequacy of the policy for allowance of bad debts and recalculated the allowance for bad debts listed by the management.
2. Obtained the ageing analysis table provided by the management, sampled and reviewed accounts receivables ageing interval met the actual situation.
3. Analyze and compare whether the classification of the accounts receivable age and ratios in the current year and the previous year are consistent, and review the write-off of bad debts in the current year and previous years to assess the rationality of allowance for bad debts.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance (including members of the Supervisors) are

responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2017 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 Yu-Hui Lin and Hui-Ming Chen.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 7, 2018

Independent Auditors' Report

(Consolidated Financial Statements)

The Board of Directors and Shareholders
CHENFULL International Company Limited

Opinion

We have audited the accompanying consolidated financial statements of CHENFULL International Company Limited and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (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.

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 in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Accounts receivable impairment assessment

Please refer to Notes 4, 5 and 9 to the Consolidated Financial Statements.

The Company's net accounts receivable at December 31, 2017 was 515,217 thousand, accounted for 10.4% of total assets. The management provides allowances for bad debts mainly based on the age of accounts receivable and expected recoverable conditions. Since the allowances for bad debts affected by customer credit risk and related to significant estimates and judgments, accounts receivable impairment assessment has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Assessed the adequacy of the policy for allowance of bad debts and recalculated the allowance for bad debts listed by the management.
2. Obtained the ageing analysis table provided by the management, sampled and reviewed accounts receivables ageing interval met the actual situation.
3. Analyze and compare whether the classification of the accounts receivable age and ratios in the current year and the previous year are consistent, and review the write-off of bad debts in the current year and previous years to assess the rationality of allowance for bad debts.

Other Matter

We have also audited the Consolidated Financial Statements of CHENFULL International Company Limited as of and for the years ended December 31, 2017 and 2016 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 Statement 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 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'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 Supervisors) are responsible for overseeing the Company's 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 the 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'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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, 2017 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 Yu-Hui Lin and Hui-Ming Chen.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 7, 2018

7. Review and Analysis of the Financial Condition, Operating Performance and Risk Issues

1. Financial Condition

Unit: NTD'000

Year Item	December 31, 2017	December 31, 2016	Variance	
			Amount	%
Current Assets	2,736,730	3,014,974	(278,244)	(9.23)
Properties, Plants and Equipment	1,578,084	868,604	709,480	81.68
Other Assets	621,614	761,184	(139,570)	(18.34)
Total Assets	4,936,428	4,644,762	291,666	6.28
Current Liabilities	1,377,079	1,230,836	146,243	11.88
Non-current Liabilities	146,980	155,549	(8,569)	(5.51)
Total Liabilities	1,524,059	1,386,385	137,674	9.93
Capital Stocks	1,181,925	1,181,925	0	0.00
Capital Surplus	879,173	878,413	760	0.09
Retained Earnings	1,372,673	1,220,507	152,166	12.47
Total Shareholders' Equity	3,412,369	3,258,377	153,992	4.73

(1) Analysis of variation of plus-minus (+/-) 20% :

The increase in properties, plants and equipment was mainly due to taichung plant phase II expansion and purchase of taipei city office during the period.

(2) Impacts of change and Future response plans description is necessary : Not applicable.

2. Financial Performance

1) Analysis of Financial Performance

Unit: NTD '000; %

Item	2017	2016	Variance Amount	V a r i a n c e r a t e (%)
Operating Revenues	3,195,315	3,224,759	(29,444)	(0.91)
Operating Costs	2,224,090	2,209,492	14,598	0.66
Gross profit	971,225	1,015,267	(44,042)	(4.34)
Operating Expense	364,747	381,365	(16,618)	(4.36)
Operating Income	606,478	633,902	(27,424)	(4.33)
Non-Operating Incomes and (Expenditures)	(24,940)	14,610	(39,550)	(270.70)
Income Before Income Tax	581,538	648,512	(66,974)	(10.33)

Income Tax Expense	(107,376)	(116,535)	9,159	(7.86)
Net Income	474,162	531,977	(57,815)	(10.87)

Analysis of variation of plus-minus (+/-) 20% :

1. Non-operating income and expenses increased mainly due to the recognition of exchange rate loss in the prior period.

2) For the estimated sales volume and the underlying rationale for the following year, the potential impacts on the Company's future business and action plans:

The Company will continue to focus on the development of new products and technologies, develop products that meet various engineering needs and enhance engineering performance to meet the environmental needs of high-tech and low-pollution manufacturing processes. In addition, the major international equipment manufacturers will make Taiwan an extremely important Display panel equipment production base and will be formed in Asia as the mainstay of the aerospace industry, as well as high-tech smart shoes to explore business opportunities, the Company actively expand the scale of production processes, improve technical energy to meet future business needs and to adjust the product Structure, the company's performance and niche can be further substantial increase.

3. Cash Flow

1) Cash Flow Analysis

Unit: NT\$ '000; %

Year Item	2016	2017	Variance Rate
Operating activities	772,674	742,107	(3.96%)
Investing activities	(302,081)	(584,520)	(93.50%)
Financing activities	(267,689)	(88,473)	66.95%

Variance Description:

1. Investment activities: Net cash outflows increased over the previous period mainly due to taichung plant phase II expansion and purchase of taipei city office.
2. Finance activities: Net cash outflows increased over the previous period mainly due to operating short-term borrowings and short-term bills payable increase.

Remedy plans for insufficient liquidity: Not Applicable

Estimated Cash Flow Analysis for Next Year

Unit: NT\$ '000; %

Cash and Cash Equivalents in the Beginning	Forecast Net Cash Inflow from Operating Activities	Forecast Net Cash Outflow from Non-Operating Activities	Expected Negative Balance of Cash and Cash Equivalents	Expected Remedy Plans for Negative Balance of Cash	
				Investment Plan	Financing Plan
1,133,524	757,391	621,382	1,269,533	-	-

4. Analysis of Major Capital Expenditure and Sources of Funding

Major Capital Expenditure and Sources of Funding

Unit: NT\$ '000

Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed	Actual or estimated use of funds		
				2016	2017	2018
Taichung Section 2 plant expansion and acquisition of machinery and equipment	Working Capital and bank borrowings	Year 2018	610,285	84,376	199,822	326,087

Expected Benefit:

In view of the continuous development of the aerospace industry at home and abroad and the growth of the optoelectronic process equipment industry, the Company actively expanded its production scale and increased its technical power to meet future business needs and adjusted its product mix to further enhance the Company's performance and niche Enhance.

5. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan in the Recent Year

Unit: NT\$ '000

Description item	Policies	Profit amount	The main reason of profit or loss	Plans for Improvement	Future Investment Plan
CHENFULL Water Resources Co., Ltd	Other chemical manufacturing, water management business, plumbing industry	11,395	The desalination plant is operating smoothly and its annual water production is stable after entering the operation period in July, 2012	—	—

CHENFENG Machinery & Enterprise Co., Ltd	Operating energy-saving waste reduction equipment and engineering	785	Transfer investing in CHENFULL International Co., Ltd.	—	—
CHENFULL HOLDING CO., LTD.	Holding business	733	Investing in NEW OPPORTUNITY LIMITED.	—	—
NEW OPPORTUNITY LIMITED	Holding business	565	Transfer investing in CHENFULL Machinery (Dongguan) Co., Ltd	—	—
CHENFULL Machinery (Dongguan) Co., Ltd	Precision machinery and equipment, footwear equipment, ventilation equipment and spare parts sales	565	Actively expand the market.	—	—

6. Risk Issues

(I) Impact and Response to Interest Rates, Exchange Rates, and Inflation Levers on the Company in the Year Preceding Publication of Annual Report

1. Interest rate

The Company incurred a risk of fair value interest rate risk due to holding fixed-rate fixed-term deposits and bank borrowings. However, borrowings are fixed interest rates and are not engaged in various derivative financial instruments' operating activities. The risk arising from changes in interest rates is not significant.

2. Exchange rate

The Company's foreign currency receivables are the same as some of the foreign currency payables, with certain positions resulting in a natural hedging effect that will decrease or increase pre-tax profit or loss before tax at 1% relative to the US dollar at the end of 2017 \$10,491 thousand dollars.

The Company will continue to observe the market exchange rate movements. Under the conservative principle, the Company will adjust the positions of foreign currency assets for foreign currency hedging.

3. Inflation

In recent years, the price index in Taiwan has been increasing year by year. On the sales side, salespeople are required to consider their changes in product pricing in a timely manner in order to adjust their selling prices. In terms of engineering, they are subject to adjustments made during the construction period in order to protect due profits.

(II) The main reasons for the policy, profit or loss of high risk, high leveraged investment, fund lending and others, endorsed guarantees and derivative commodities transactions and their future response measures:

- 1. The company's policy to operate the industry-based, with the exception of holding 100% subsidiary endorsed by the company did not engage in any high-risk, high leveraged investment and loans to others and other transactions. The Company has formulated the "Proceeding or Disposal of Assets Proceedings" to follow the Company's capital operation, investment operations and derivatives transactions.**
- 2. In response to the operational needs of the transferred-in companies, the "Procedures for Loan Lending and Other People's Loans" and the "Endorsement Assurance Procedures" have been formulated in accordance with the relevant**

laws and regulations of the competent authorities and administered by the specialized units. At the same time, the Company's auditing units also conducted regular inspections of relevant operating procedures in accordance with the internal control system.

3. Future related operations will still follow the company's internal control system.

(III) Future R & D projects and estimated R & D expenses:

For future research and development projects, please refer to "Overview of Business 1. (I) 4. New Products Planned for Development." The Company expects to spend R & D of \$ 99,542 thousand in R & D in 2018. In order to tie in with the development of the industry and increase market share, The company will continue to invest in research and development to maintain the competitiveness of its products.

(IV) The impact of major domestic and foreign policies and laws on the company's financial operations and response measures:

In the light of the current important policy and legal changes announced by the government, there is no significant impact on the Company's financial business. Moreover, the operation of the Company complies with the laws and regulations of the PRC and overseas governments. The Company and its staff from overseas-invested companies also collect information on changes in relevant policies and laws and provide management information for reference. Therefore, major changes in policies and laws at home and abroad can be effectively controlled and the necessary response measures taken to reduce the adverse impact.

(V) The impact of technological changes and industrial changes on the company's financial business and response measures:

The Company keeps abreast of the technological changes in the relevant industries and trends in the industry, assesses the impact on the future development of the Company and its financial operations and takes necessary response measures. In the latest year, However, there is no matter that has material impact on the financial operations of the Company.

(VI) The impact of corporate image changes on corporate crisis management and response measures:

Since its inception, the Company has adhered to its business philosophy of "honesty, proactiveness, innovation and breakthrough" and attached importance to corporate image and risk control. Therefore, there is no such thing as having a

significant impact on corporate crisis management as a result of corporate image changes.

(VII) Expected benefits of M & A, possible risks and countermeasures: None.

(VIII) Expected benefits of plant expansion, possible risks and corresponding measures:

The expansion of the plant of the Company is based on prudent assessment of existing production capacity and future operation growth. Significant capital expenditures are considered by the Board of Directors and investment benefits and possible risks have been properly considered.

In view of the continuous development of the integrated manufacturing of precision components, it is planned to expand Phase II of Taichung Plant in order to increase production energy and efficiency and enhance competitiveness. It is expected to increase its operating revenue year by year. As of the publication date of the annual report, the planned operation is still progressing get on.

(IX) The risks and countermeasures in the purchase or sales concentration:

- 1. Purchase:** The main materials for the company are all kinds of air doors, fittings, flanges, mechanical components and their related interior materials, etc. The purchase items of the engineering business are procured according to contractual requirements. Therefore, the procurement items and specifications of each project are different, the suppliers are also different, resulting in stock suppliers each year there is a change, there is no risk of stock concentration; the other shoe manufacturing machinery and precision components manufacturing industry accounted for no more than 10% of the purchase amount of purchase customers .
- 2. Sales:** The company's engineering business to semiconductor plant-based projects; and shoe-making machinery and precision components assembly manufacturing industry is also due to product features and technical thresholds, affirmed by the customer, with customers to build a deep and stable supply chain. Therefore, the Company's sales target is stable in the recent two years.

(X) Influence, risk and response to the Company of directors, supervisors or substantial shareholders holding more than 10% of the shares transferred or exchanged in large amount:

In the most recent year and up to the date of printing of the Annual Report, there were no directors, supervisors or substantial shareholders holding more than 10% of the shares, which were substantially transferred or replaced.

(XI) IMPACT, RISK AND RESPONSIBILITY OF CHANGE OF MANAGEMENT RIGHTS ON THE COMPANY: The Company has no change of right of operation.

(XII) Litigation or non-litigation:

1. CHENFULL Company undertook the "Electrical and Mechanical Engineering of Headquarter Wine Storage Building and Storage Equipment New Construction Project" of Kinmen Kaoliang Liquor INC. as a result of the construction of the storage tank barrel by the civil construction As a result, the construction company contracted to paint pollution. Therefore, CHENFULL Company filed a suit for damages in Fujian Kinmen District Court. According to the court's judgment, the defendant, TWINTOP TECH ENGINEERING Co., LTD, should compensate NT \$ 2,380,000 for CHENFULL Company. In February 2013, the Company provided a guarantee of NT \$ 800 thousand (listed in other non-current assets) in accordance with the aforesaid verdict and executed the execution of the antithesis of the company. The Supreme Court in the current trial.

2. The directors, supervisors, general managers and substantial principals of the Company, the substantial shareholders and the subordinate companies whose shareholdings exceed 10% of the share capital, the litigations that have been adjudged or currently pending in the subparagraph at the date of printing of the latest annual and annual reports , Non-litigation or administrative litigation, the results may have a significant impact on the company's shareholders' equity or securities prices: Non

(XIII) Other important risks and countermeasures:

1. Risk management policy

The risk management policy of the Company is to establish a risk management mechanism for risk identification, measurement, supervision and control as well as an integrated risk management system. With a risk management-oriented business model, the Company achieves its operating targets and enhances shareholders' value.

In addition to the original system of rules and regulations, the Company has also been actively developing more advanced businesses in the areas of marketing market, production and operation, human resources planning, progress of new product development and financial accounting control and other major risks faced by various business operations. With more sensitive procedures and guidelines for monitoring, assessing and controlling risks so as to balance safety with efficiency and establish more cost-effective business modes of operation such as strengthening the establishment of information systems and strengthening the capability of early

warning and monitoring.

2. Risk Management Organization

The Company's risk management is divided into three levels (mechanisms): the unit of responsibility and responsibility is the "first mechanism", and the initial risk identification, evaluation and control of the operation must be taken into consideration when designing and preventing risk. The second mechanism is a high-level executive meeting convened by the chief executive. The second mechanism is responsible for the planning implementation of the feasibility assessment and resolution, as well as the overall command of promotion and operation of various risk assessment and risk management plans. The third mechanism is the review of legal affairs and audit rooms and the consideration of directors and supervisors.

The Company's risk management structure is as follows:

Audit Office: To review the existing or potential risks of each operation and formulate an annual risk-oriented audit plan to assist the Board of Directors and managers in checking and reviewing the deficiencies of the internal control system and measuring the effectiveness and efficiency of the operation so as to ensure the internal Control system to be sustained and effective implementation.

Management Department: responsible for the effective allocation of human resources and contingency, the implementation of various insurance operations, the establishment and maintenance of environmental safety and health, the statutory regulatory review and establishment, follow the government supervision policy and deal with contracts and litigation disputes, management of patents and other Intellectual Property Rights to Reduce Legal Risks and External Public Affairs Risks.

Finance Department: Responsible for financial planning and application. Under the risk control and oversight mechanism, emphasis is placed on safety, liquidity and profitability so as to establish a hedging mechanism to reduce financial risks.

Accounting Department: Responsible for the assessment and review of the transfer of investment, transfer of investment supervision and management, in order to reduce the risk of investment.

Purchasing Department: Responsible for the planning of procurement and material storage and transportation operations and the establishment of contingency plans for suppliers to enhance the procurement efficiency and the effective use of materials to

reduce the risk of procurement management and material safety.

Information Department: responsible for information system and network information security control and protection measures to reduce the risk of information security.

R & D center: R & D work environment contingency measures, new product development risk assessment, research and development progress control.

Security Center: responsible for safety and health supervision and management, follow Lao An laws and regulations, to reduce the risk of accidents.

Business Unit: Responsible for collecting and establishing market information, coordinating production and sales, establishing and processing customer relationships, and tracking and receiving receivables to reduce operational risk.

Manufacturing units: contingency plans and contingency plans for production operations and manpower support and allocation plans to reduce the risk of factory production and operation.

7. Other important information :

(I) Information about financial products other than shares and depositary receipts: The fair values of financial assets and financial liabilities are determined as follows:

1. The fair values of the financial assets and financial liabilities with standard terms and conditions and traded in the active markets are respectively determined with reference to market quotations. If there is no market price for reference, then use the evaluation method to estimate. The estimates and assumptions used in the method of valuation are consistent with those used by market participants for the pricing of financial products as estimates and assumptions.

2. Stocks without public quotes: Includes no quoted public shares at fair value. The fair value is based on the method of market appraisal - the PE ratio and the share price to equity ratio to assess the fair value of the fair value.

(B) Whether the use of hedge accounting and its goals and methods:

The foreign currency receivables of the Company are the same as those of the foreign currency payables. Accordingly, certain positions will have a natural hedging effect. The net investment of the foreign operating institutions is a strategic investment and therefore, the Group has not avoided this risk.

(C) Assets and liabilities evaluation items recognized :

1. Allowance of accounts receivable

(1) Allowance for doubtful debts is based on the assessment of the recoverability of the receivables. The Company regularly evaluates the recoverability of accounts receivable based on the aging analysis of accounts receivable from customers and the value of collaterals.

(2) Individual accounts receivable should be appraised as to whether there is any significant financial difficulty, bankruptcy or the like occurred to the debtor, and the bad debts allowance will be provided if the future cash flow is affected.

2. Allowance of inventories decline

The inventory is measured at the lower of cost and net realizable value. When comparing the cost with the net realizable value, except for inventories of the same type, the inventories are based on individual items. Net realizable value represents the balance of the estimated selling price under normal circumstances less the estimated costs to completion and the estimated costs necessary to make the sale

8. Special Notes

1. Affiliates Information

Consolidated Business and Affiliates Report

General information of CHENFULL International Co., Ltd. and affiliates:

Unit: In Thousands of New Taiwan Dollars,

Company	Date of incorporation	Address	Common Stock Issued	Major Business Activities
CHENFULL WATER RECOURCES CO., LTD	2007.01.29	2, 9th Floor, No.99, Section 1, Nanxun Road, Luzhu District, Taoyuan City	NTD 418,000	Other chemical manufacturing, water management business, plumbing industry
CHENFENG Machinery & Enterprise Co., Ltd	1998.12.29	7th Floor, No.99, Section 1, Nanxun Road, Luzhu District, Taoyuan City	NTD 52,800	Operating energy-saving waste reduction equipment and engineering
CHENFULL HOLDING CO., LTD.	2002.02.01	Vistra Corporate Services Centre,Ground Floor NPF Building,Beach Road,Apia,Samoa	USD 2,000	Holding business
NEW OPPORTUNITY LIMITED	2010.08.06	Vistra Corporate Services Centre,Ground Floor NPF Building,Beach Road,Apia,Samoa	USD 2,000	Holding business

CHENFENG Machinery (Dongguan) Co., Ltd.	2011.06.20	Houjie Town, Dongguan City, Guangdong Province, China Xintang Village Village Group 1 East Lane Lane on the 2nd	USD 2,000	Precision machinery and equipment, footwear equipment, ventilation equipment and spare parts sales
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2. Companies presumed to have a relationship of control and subordination with CHENFULL under Article 369-3 of the R.O.C. Company Law: None.

3. Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

Industry	Company	Description of the mutual dealings and division of work among such affiliates:
Water business	CHENFULL WATER REOURCES CO., LTD	Other chemical manufacturing, water management business, plumbing industry
Manufacturing	CHENFENG Machinery & Enterprise Co., Ltd	Operating energy-saving waste reduction equipment and engineering
Holding company	CHENFULL HOLDING CO., LTD.	Investing in NEW OPPORTUNITY LIMITED
Holding company	NEW OPPORTUNITY LIMITED	CHENFENG Machinery (Dongguan) Co., Ltd.
Buying and selling	CHENFENG Machinery (Dongguan) Co., Ltd.	Precision machinery and equipment, footwear equipment and ventilation equipment sales of its spare parts

1.

4. Directors, supervisors, and general managers of Far EasTone and affiliates:

March 31, 2018 Unit: Number of Shares; %

Company	Title	Name or Representative	Registered Shares Owned	
			Shares	% of Ownership
CHENFULL WATER REOURCES CO., LTD	Director	CHENFULL International Co., LTD Ms. Alice Chang, Chi- Ming Lai, Tony Yen	41,800,000	100%
	Supervisor	CHENFULL International Co., LTD Xue- Zhen Wu		

CHENFENG Machinery & Enterprise Co., Ltd	Director	CHENFULL International Co., LTD Alice Chang, Chi- Ming Lai, Tony Yen	5,280,000	100%
	Supervisor	CHENFULL International Co., LTD Xue- Zhen Wu		
CHENFULL HOLDING CO., LTD.	Director	CHENFULL International Co., LTD Alice Chang	Contribution USD2,000,000	100%
NEW OPPORTUNITY LIMITED	Director	CHENFULL HOLDING CO., LTD. Alice Chang	Contribution USD2,000,000	100%
CHENFENG Machinery (Dongguan) Co., Ltd.	Director	NEW OPPORTUNITY LIMITED Alice Chang, Chi- Ming Lai, Mei-huang Chang	Contribution USD2,000,000	100%
	Supervisor	NEW OPPORTUNITY LIMITED Tony Yen		

Operation overview of CHENFULL and affiliates:

December 31, 2017 Unit: In Thousands of NTD

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Operating Revenue	Operating Income	Net Income	Earnings Per Share (NT\$)
CHENFULL WATER REOURCES CO., LTD	418,000	739,203	254,753	484,450	108,201	(3,916)	11,395	0.27
CHENFENG Machinery & Enterprise Co., Ltd	52,800	33,825	50	33,775	-	(161)	785	0.15
CHENFULL HOLDING CO., LTD.	70,078	79,616	-	79,616	-	-	733	-
NEW OPPORTUNITY LIMITED	60,448	63,270	-	63,270	-	-	565	-
CHENFENG Machinery (Dongguan) Co., Ltd.	60,448	79,876	16,606	63,270	101,184	3,036	565	-

(2) Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated

Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiaries companies as of and for the years. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year.

(3) **Affiliation Report** : Not applicable ◦

2. Private Placement Securities in the Recent Year until the Annual Report being Published: None

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published:

Unit: In Thousands of NTD ; Share ; %

Subsidiary(Note)	CHENFENG Machinery & Enterprise Co., Ltd
Paid in capital	52,800
Source of funding	private capital
% owned by the Company	100%
Acquisition / disposal date	Current up to publication date:
No. of shares acquired and payment costs	None
No. of shares sold /proceeds	None
Investment income	None
Up to publication date:	281,759 shares
Total No. of shares / value	\$5,205
Pledges	None
Guarantees / endorsements provided by the Company	None
Financing provided by the Company	None

Note: CHENFENG Machinery & Enterprise Co., Ltd held 281,759 shares of the Company as of the printing date of the annual report, accounting for 0.24% of the total number of issued shares of the Company.

4. Other Supplementary Information: None

5. Material Event Impact on Shareholders' Equity or Share Price in the Recent Year until the Annual Report being Published: None

CHENFULL International Co., LTD
The Declaration of Internal Control System

Date: March 7, 2018

Based on the self-examination results of the internal control system for the year ended December 31, 2017, CHENFULL International Co., LTD. (The Company) therefore declares the following:

I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the internal control system and such a system has been well established. The purpose of establishing the internal control system is to reasonably assure the following objectives:

- 1. The effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);**
- 2. The reliability, timeliness, transparency, and regulatory compliance of the financial reports;**
- 3. The compliance of the relevant laws/regulations.**

II. The internal control system has its inherent limitations, no matter how well designed, effective internal control system can only provide reasonable assurance on the foresaid three objectives. Moreover, the effectiveness of internal control system may vary with changes in the environment. However, the Company management develops self-monitoring mechanism to detect deficiency and take corrective actions.

III. The evaluation of effectiveness of the internal control system design and implementation is performed in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations examine the following components throughout the internal control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Details could be referred to the Regulations.

IV. The Company management has assessment the effectiveness of the design and implementation on the internal control system based on the Regulations.

V. The Company management declares that the internal control system (including Subsidiary Governance) has effectively assured that the following objectives have been reasonably achieved during the assessment period:

- 1. The effectiveness and efficiency of business operations;**
- 2. The reliability, timeliness, transparency, and regulatory compliance of the financial reports;**
- 3. The compliance of the relevant laws/regulations.**

VI. The Declaration will be included in the Annual Report and Prospectus and be subject to the Articles 20, 32, 171 and 174 under the Securities Exchange Act.

VII. The Declaration of Internal Control System has been approved by the Company's board of directors on March 7, 2018.