

Zhen Ding Technology Holding Limited

2019

Annual Report

**Annual Report Website: Market Observation Post System
(<http://mops.twse.com.tw>)**

Company Website: <http://www.zdtco.com>

Printed on April 16, 2020

THIS IS A TRANSLATION OF THE 2019 ANNUAL REPORT (THE "ANNUAL REPORT") OF ZHEN DING TECHNOLOGY HOLDING LIMITED (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

ZHEN DING TECHNOLOGY HOLDING LIMITED

Addresses and telephone numbers of the head office, main areas of operation, subsidiary companies, and branch companies.

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Address: P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands

Telephone: (886)3-383-5678

Subsidiary companies:

(1) Coppertone Enterprises Limited

Address: Vistra Corporate Services Centre, Wickhams Cay ll, Road Town, Tortola, VG1110, British Virgin Islands

Telephone: (886)3-383-5678

(2) FAT Holdings Limited

Address: P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands

Telephone: (886)3-383-5678

(3) Mayco Industrial Limited

Address: Suite 1222, 12/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong

Telephone: (886)3-383-5678

(4) Monterey Park Finance Limited

Address: Vistra Corporate Services Centre, Wickhams Cay ll, Road Town, Tortola, VG1110, British Virgin Islands

Telephone: (886)3-383-5678

(5) Pacific Fair International Limited

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Telephone: (886)3-383-5678

(6) Garuda International Limited

Address: Unit B,26/F., C.K.K. Commercial Centre, 289 Hennessy Road, WanChai, Hong Kong

Telephone: (886)3-383-5678

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Telephone: (886)3-383-5678

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Telephone: (886)3-383-5678

(9) Avary Technology (India) Private Limited

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Telephone: (91)9176-999-602

(10) Avary Japan Co., Ltd.

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(11) Avary Holding (Shenzhen) Co., Ltd.

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Telephone: (86)755-3381-0388

(12) Fubo Industry (Shenzhen) Co., Ltd.

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(14) Kuisheng Technology (Shenzhen) Co., Ltd.

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Telephone: (86)755-3381-0388

(15) Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.

Address: No.196, XinHai Street, Coastal Industrial Base, Yingkou, Liaoning Province, China

Telephone: (86)417-3286-688

(16) Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.

Address: No.18, Tengfei Road, Qinhuangdao Economic and Technological Development Zone, Hebei Province, China (within the Comprehensive Bonded Zone)

Telephone: (86)335-5308-888

(17) Honghengsheng Electronical Technology (Huai'an) Co., Ltd.

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Telephone: (86)517-8351-6888

(18) Yuding Precision Electronics (Huai'an) Co., Ltd.

Address: No. 18, Pengding Road, Huai'an Economic and Technological Development Zone, Jiangsu Province, China

Telephone: (86)517-8351-6888

(19) Qingding Precision Electronics (Huai'an) Co., Ltd.

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Telephone: (86)517-8351-6888

(20) Zhen Ding Technology Co., Ltd.

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Telephone: (886)3-383-5678

(21) Qiding Technology Qinhuangdao Co., Ltd.

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(22) Garuda Technology Co., Ltd.

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Telephone: (886)2-2957-7088

(23) Huai'an Jiawei Industrial Development Co., Ltd.

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Telephone: (886)3-383-5678

(24) Li Ding Semiconductor Technology (Shenzhen) Co., Ltd.

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Telephone: (86)755-33234596

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Telephone: (886)3-383-5678

(26) Avary Holding Investment (Shenzhen) Co., Ltd.

Address: AVARY Park, Songluo Road, Yanchuan Community, Yanluo Subdistrict, Bao'an District, Shenzhen, Guangdong Province, China

Telephone: (86)755-3381-0388

List of the Board of Directors

Title	Name	Nationality	Experience (Education)
Chairman	Chang-Fang Shen	Republic of China	General Manager, Unicap Electronics Industrial Corp. General Manager, Promisedland Resort Executive Vice President, Pacific Securities Vice President of Underwriting, Asia Securities Section Chief, Export-Import Bank of the Republic of China Department of Business Administration, Chinese Culture University
Director	Foxconn (Far East) Limited Representative: Che-Hung Yu	Republic of China	Director, Avary Holding (Shenzhen) Co., Ltd. Director, ShunSin Technology Holdings Limited Master in Law, American University, United States
Director	Wide Choice Investments Limited. Representative: Te-Wang Hsiao	Republic of China	Deputy Manager, Foxconn Technology Group Special Assistant, Unicap Electronics Industrial Corp. Master's degree, Cornell University, United States
Director	Chiu-Fong Huang	Republic of China	Chairman, Usun Technology Co., Ltd. Chairman, Usun Materials Science Co., Ltd. Taipei City University of Science and Technology
Independent Director	John-See Lee	Republic of China	President, Industrial Technology Research Institute Chairman, Development Center for Biotechnology Chairman, Taiwan Bio Industry Organization PhD in Chemical Engineering, Illinois Institute of Technology
Independent Director	Chih-Chen Chou	Republic of China	CPA and Managing Partner of Taipei Office, WeTec International CPAs Chairman, Taiwan Provincial Accountant Association PhD in Accounting, Shanghai University of Finance and Economics
Independent Director	Tung-Sheng Hsu	Republic of China	Partner, Pamir Law Group (Taiwan Taipei) Partner, Direction International Law Offices (Taiwan Taipei) Bachelor of Law, National Chengchi University

Designated Domestic Agent

Name: Chang-Fang Shen
Title: Chairman
Tel: (03) 383-5678
Email: zdt-ir@zdtco.com

Spokesperson

Name: Tun Ling
Title: Senior Manager
Tel: (03) 383-5678
Email: zdt-ir@zdtco.com

Deputy Spokesperson

Name: Jin-Ten Chang
Title: Senior Deputy Manager
Tel: (03) 383-5678
Email: zdt-ir@zdtco.com

Stock Transfer Handling Agency

Name: Stock Affairs Department, Grand Fortune Securities Co., Ltd.
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Tel: (02) 2371-1658
URL: www.gfortune.com.tw

CPAs Auditing the Financial Statements in Recent Fiscal Year

Name: Yung-Chien Hsu, CPA and Min-Chuan Feng, CPA
Name of Firm: PwC Taiwan
Address: 27F, No. 333, Section 1, Keelung Road Xinyi District, Taipei City, Taiwan 11012
Tel: (02) 2729-6666
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Corporate Website

URL: <http://www.zdtco.com>

Zhen Ding Technology Holding Limited

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Chapter 1 Letter to Shareholders

Zhen Ding Technology Holding Limited Letter to Shareholders

The US-China trade war has consistently remained unchanged since 2018. Looking back on 2019, the global economy is once again plunged into many risks and uncertainties, exposing the electronics industry to enormous pressure and challenges. The Company leveraged its advantages in production capacity, quality, and technology development. While providing customers with excellent products and services, we remain fully committed to expanding our new customer base. In addition to fortifying cooperation with numerous renowned vendors around the world to access their new product lines, we research and develop products that feature the properties of light-weight, thin, short, small, high-frequency, high speed, low pollution, low loss, low power consumption, multi-functional, precision (low tolerance), beauty (aesthetically appealing), refinement, and intelligence. We keep abreast of current trends and development for electronic products related to 5G, Internet of Things, Internet of Vehicles, Industrial Internet of Things, and artificial intelligence, as well as constantly promote research, development, and deployment in the field of automotive electronics, enabling the Company to steadily increase its revenues and profits in 2019.

The Company's 2019 business overview and 2020 future outlook are as follows:

I. 2019 Business Overview

(I) Financial Results

The Company's consolidated revenue for 2019 was NT\$120,067,508 thousand, an increase of 1.83% compared to previous year. Net income was NT\$12,401,617 thousand (net income attributable to the parent company was NT\$8,685,202 thousand), an increase of 7.5% from previous year. The consolidated earnings per share (EPS) was NT\$14.18 (consolidated EPS attributable to the parent company was NT\$9.93).

In facing the risks of a declining macro economy in the overall environment, the Company continues to strengthen control over financial risks by conducting reviews and adjustments as needed to increase its capital efficiency and to secure adequate cash flow. As of the end of 2019, the Company's debt ratio was 35%, surpassing market level in the industry. Capital abundance lays a firm foundation for the company's future development and response to various types of risks and changes.

(II) Technology Development

The Company is devoted to developing new materials, new products, new manufacturing processes, new equipment, and new technologies, closely cooperates with world-class clients to keep abreast of technological development trends, and continues to develop 5G, AI, Internet of Things, and Internet of Vehicles applications to secure the Company's technology leadership in the industry. In 2019, Zhen Ding has invested NT\$6.1 billion in R&D, which accounts for 5.11% of its operating revenues. We accumulated 117 patents in 2019: 53 from Mainland China, 40 from Taiwan, and 24 from the United States. As of the end of 2019, the Company has accumulated 904 patents: 363 from Mainland China, 395 from Taiwan, and 146 from the United States; 93% of these are utility patents.

To cultivate professional talents and enhance technology development, the Company engages in research projects with 18 reputable universities and 2 research institutes in Greater China to accelerate and facilitate the implementation of core technology research results through cooperation with scientific research institutes. By joining forces with experts and professors of prestigious universities and institutes in Greater China,

we successfully hosted the first electronic circuit technology forum, during which next-generation technologies for the electronic industry were discussed, reviewed, and planned.

(III) Organic and Inorganic Growth

To strengthen corporate development, the Company continues to invest in major investment projects, including the capacity expansion in Huai'an and Qinhuangdao. Specifically, the Phase 2 construction of Huai'an Industrial Park, the SLP production line expansion of Qinhuangdao, and the Phase 1 construction of Shenzhen Plant 2 have been completed and ramped up production. Meanwhile, the Company accelerates investments for overseas expansion. We have established a subsidiary in India and completed the recruitment and training of local employees. The production line in India is expected to commence operation in 2020. To increase the Company's overall asset management efficiency and enhance business synergy, we closed our Yinkou manufacturing site at the end of 2019, thereby optimizing and integrating the resources and collaboration network within the Company's manufacturing sites.

Through market analysis and research for integrating the vertical and horizontal aspects of an industry, the Company actively expands its up/downstream industry chains through diverse investment channels and cooperation with professional institutions to constantly bolster and improve the company's comprehensive competitiveness in the PCB industry.

(IV) Increasing the level of automation to build a smart factory for Industry 4.0

In recent years, the Company has comprehensively increased its use of automated, smart, and intelligent applications to achieve the goals of a smart factory for Industry 4.0. We invested in a project in 2019 to expand the SLP production lines of the Qinhuangdao site. Through this project, the first lights-out factory using advanced production processes was achieved. While transitioning to automated manufacturing, the Company built a complete IT management system, realizing the use of smart applications to track and trace products in the manufacturing process and product quality. At the same time, we introduced a big data process expert system, which is used in the production of semiconductors, to the production process. This system effectively improves manufacturing efficiency and product quality. In future, we will continue to promote AI applications and machine learning to transform the Company into a smart factory.

II. 2020 Outlook

The US–China trade war that has continued to this day has finally entered the phase one trade agreement at the beginning of 2020. However, the outbreak of the COVID-19 has plunged businesses around the world into chaos, including disruption to industry supply chain, suspension of production activities, shortage of raw material supply, reduced consumption behavior, and imbalance between supply and demand for daily necessities, resulting in a global economic recession that is worse than the financial crisis. To prepare for the potential risks of a downward global economy due to the pandemic, the Company has not only stepped up its epidemic prevention efforts to ensure employee health, but also paid attention to its stability for production capacity and quality control. We uphold the "One ZDT" (one-stop shopping service) principle, flexibly adjust investment and product manufacturing strategies according to market conditions, maintain a stable financial plan, and focus on developing high-end products and technologies, all in an effort to actively promote long-term cooperation with strategic partners, collaborate in the development of new materials, new equipment, and new technologies required for specialized manufacturing processes, and ensure that we make progress and stay on schedule to achieve the goal of building a smart factory for Industry 4.0. In addition to providing customers with leading technologies and premium quality, the

Company also reinforces its resource pooling with strategic partners to co-develop new breakthroughs of high-quality industrial technologies. In response to macroeconomic changes, we will continue to aim toward upholding our world-leading technology and market position.

With the commitment to ZDT's business strategy—"stable growth, structural adjustments, innovation promotion, and risk management", the Company will continue to optimize production capacity and ensure the robustness of each of our product line. To serve with corporate social responsibility, we are dedicated to environment protection and responding to risks of climate change. The Company's continuous innovations in advanced technologies and high-performing, cost-effective materials are leading industry advancement and strengthening our core competence. ZDT is paving the way to sustained growth together with our strategic partners, and striving to achieve the Company's mission of "continuous technology development for better human life; continuous environmental excellence for a greener earth."

Chairman: Chang-Fang Shen

Chapter 2 Company Overview

I. Date of Incorporation: June 5, 2006

II. Company and Group Profile:

(I) Company Introduction

Zhen Ding Technology Holding Limited was established on June 5, 2006. Its main investment in manufacturing companies includes Avary Holding (Shenzhen) Co., Ltd., which is officially listed on the Shenzhen Stock Exchange on September 18, 2018 (stock symbol: 002938.SZ) and Qiding Technology Qinhuangdao Co., Ltd. Avary Holding mainly produces PCB products and Qiding Technology Qinhuangdao Co., Ltd. mainly produces semiconductor-related products. Products are widely used in computing, consumer electronics, communication, networking, automotive, and medical sectors.

Under the leadership of Chairman Chang-Fang Shen, Zhen Ding Holding Group has a management team with extensive experience. The Company cooperates with world's leading customers and uses advanced technologies to establish a comprehensive manufacturing base with high efficiency and low cost. The aim is to develop an efficient, reasonable, automated, and unmanned modern manufacturing process.

According to Prismark Printed Circuit, the Company ranked as the largest PCB manufacturing company in the world in terms of 2019 revenue.

While pursuing innovation, the pollution prevention and resources recycling are the Company's social responsibilities and the foundation of sustainable development. Therefore, our investee companies and subsidiary companies have taken on the responsibility of establishing new production sites that meet environmental protection standards and implement pollution prevention and wastewater treatment standards that are superior to government regulations.

All current investees and subsidiary companies have passed clean production reviews and they continue to implement greenhouse gas inventory and other carbon emissions reduction management to promote ideals of green environmental protection and establish a green corporate culture. Environmental protection is the most important responsibility and mission of the Company.

All employees of the Company and subsidiaries shall maintain a positive and aggressive attitude and focus on their production and operations to create a comprehensive industry platform and develop related industry. The ultimate goal is continuously promote the Company's leading position in the industry and maximize profits of the Company and Shareholders.

(II) Group Structure: please refer to page 289 of the Annual Report for more information.

III. Company History

Date	Milestones
June 2006	FOXCONN ADVANCED TECHNOLOGY LIMITED was established in the Cayman Islands. The initial capital was US\$70,000,000.
October 2006	FOXCONN ADVANCED TECHNOLOGY LIMITED (CAYMAN ISLANDS) acquired 100% of the shares of Hung Sheng Electric Integration Technology Co., Ltd.
January 2007	The Company established Hongqunsheng Precision Electronics (Yingkou) Co., Ltd. and Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.
April 2007	The Company acquired MONTEREY PARK FINANCE LIMITED and its shares in Fukui Precision Component (Shenzhen) Co., Ltd.
October 2007	FOXCONN ADVANCED TECHNOLOGY LIMITED issued 92,500,000 shares at a nominal value of US\$1 per share. The paid-up capital after the capital increase amounted to US\$162,500,000. The Company acquired LIGHT FLASH INTERNATIONAL LIMITED and its shares in Honghuasheng Precision Electronics (Yantai) Co., Ltd.
April 2008	The Company acquired WORLD BRIGHT GROUP LIMITED and its shares in Honghengsheng Electronical Technology (Huai'an) Co., Ltd.
October 2009	FOXCONN ADVANCED TECHNOLOGY LIMITED issued 39,500,000 shares at a nominal value of US\$1 per share. The paid-up capital after the capital increase amounted to US\$202,000,000.
June 2010	FOXCONN ADVANCED TECHNOLOGY LIMITED applied for guidance from Taiwan Stock Exchange Corporation and planned for immediate listing after return to Taiwan.
October 2010	On October 20, 2010, the shareholders' meeting resolved to convert the nominal value of each share of FOXCONN ADVANCED TECHNOLOGY LIMITED to NT\$10 and the paid-up capital became NT\$6,464,000,000.
June 2011	The shareholders' meeting resolved to rename "FOXCONN ADVANCED TECHNOLOGY LIMITED" to ZHEN DING TECHNOLOGY HOLDING LIMITED. Its Chinese name became. The Company performed a reelection of all directors and elected 7 directors including 3 independent directors. The Company also established an audit committee and a remuneration committee.
December 2011	The Company was listed on the Taiwan Stock Exchange and the paid-up capital increased to NT\$6,699,290,000.
February 2012	The Investment Commission of the Ministry of Economic Affairs approved the sales of Honghuasheng Precision Electronics (Yantai) Co., Ltd.
May 2012	The Company was ranked 82nd in the 2011 Top 1000 manufacturing companies by Common Wealth Magazine.
June 2012	The Company issued the first unsecured international convertible corporate bonds valued at US\$188 million and it was listed on the Singapore Stock Exchange.
September 2012	The Company converted earned surplus into capital increase with 33,496,450 shares and the paid-up capital increased to NT\$7,034,254,500.
May 2013	The Company was ranked 639th in the 2012 "Top 1000 companies in China, Hong Kong, and Taiwan" by Business Today.
September 2013	The Company converted earned surplus into capital increase with 35,171,272 shares and the paid-up capital increased to NT\$7,385,967,220.

Date	Milestones
November 2013	The Board of Directors resolved to acquire FOREVER GROWTH INVESTMENTS LIMITED and its shares in Fubo Industry (Shenzhen) Co., Ltd.
April 2014	The Company was ranked 555th in the 2013 "Top 1000 companies in China, Hong Kong, and Taiwan" by Business Today.
May 2014	The Company was ranked 23rd in operational performance, 38th in net income after tax, and 52nd in business revenue among the Top 1000 manufacturing companies by CommonWealth Magazine.
June 2014	The Company issued the second unsecured international convertible corporate bonds valued at US\$300 million and it was listed on the Singapore Stock Exchange.
August 2014	The Company converted its first international corporate bonds into 34,343 shares and the paid-up capital increased to NT\$7,386,310,650.
November 2014	The Company's first international convertible corporate bonds issued in Taiwan were converted for listing in Taiwan.
March 2015	The Company converted its first international corporate bonds into 29,137,036 shares and the paid-up capital increased to NT\$7,677,681,010.
April 2015	The Company converted its first international corporate bonds into 36,980,258 shares and the paid-up capital increased to NT\$8,047,483,590.
April 2015	The Company was ranked 972nd in the 2014 "Top 1000 companies in China, Hong Kong, and Taiwan" by Business Today.
May 2015	The Company was ranked 38th in net income after tax in the 2014 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2015	The Company was ranked 50th in operating revenue in the 2014 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2016	The Company was ranked 4th in operational performance among electronics companies in the 2015 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2016	The Company was ranked 30th in net income after tax in the 2015 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2016	The Company was ranked 43rd in operating revenue in the 2015 "Top 2000 manufacturing companies" by CommonWealth Magazine.
December 2016	The subsidiary company Fukui Precision Component (Shenzhen) Co., Ltd. exchanged shares for the acquisition of Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd., Hongqunsheng Precision Electronics (Yingkou) Co., Ltd., Qingding Precision Electronics (Huai'an) Co., Ltd., and Yuding Precision Electronics (Huai'an) Co., Ltd.; It also used cash to acquire Fubo Industry (Shenzhen) Co., Ltd. and Honghengsheng Electronical Technology (Huai'an) Co., Ltd. to complete shareholding reorganization.
May 2017	The Company's Board of Directors passed the reorganization of the subsidiary company Fukui Precision Component (Shenzhen) Co., Ltd. and officially renamed to Avary Holding (Shenzhen) Co., Ltd.
May 2017	The Company was ranked 4th in operational performance among electronics companies in the 2016 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2017	The Company was ranked 57th in net income after tax in the 2016 "Top 2000 manufacturing companies" by CommonWealth Magazine.

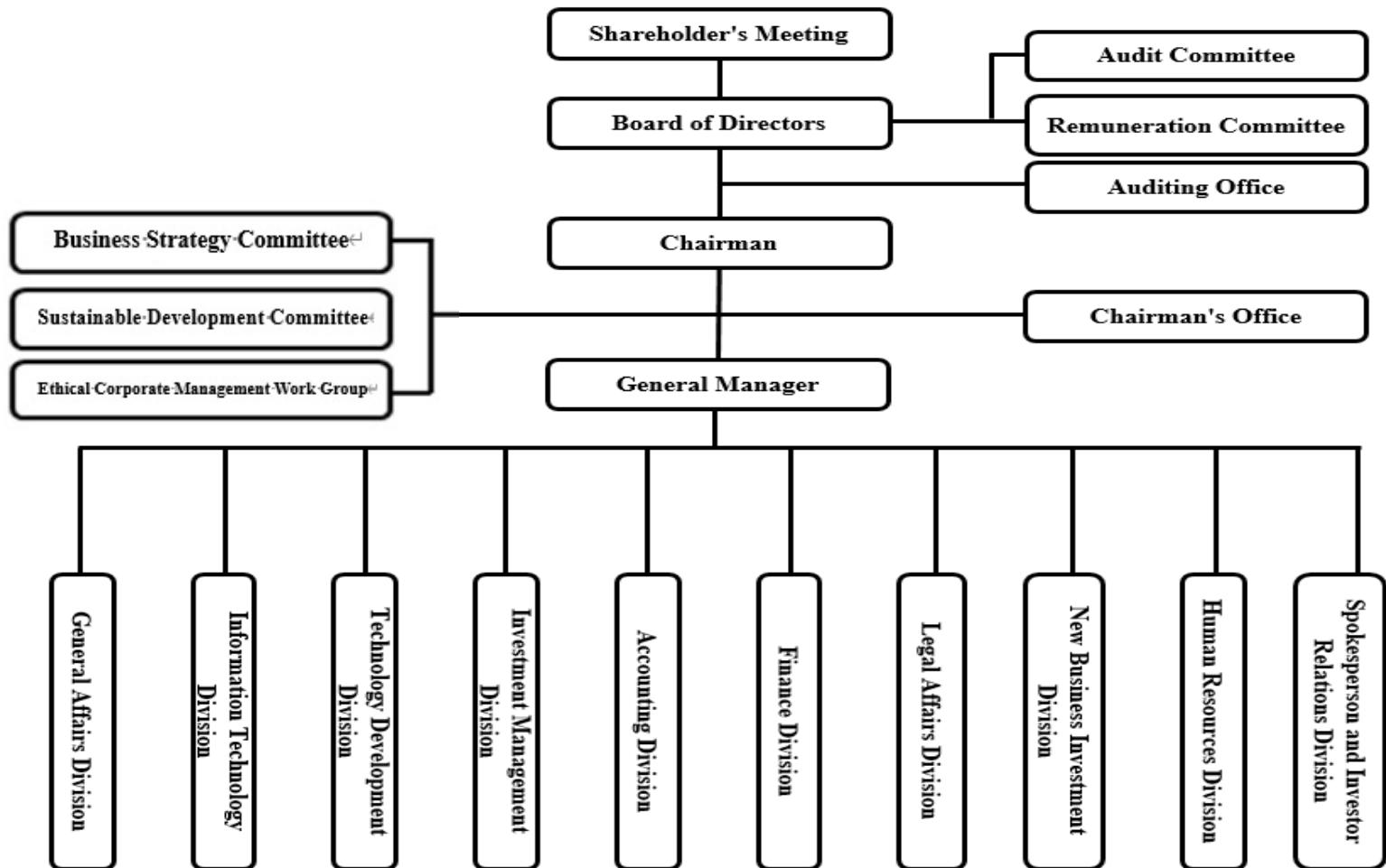
Date	Milestones
May 2017	The Company was ranked 42nd in operating revenue in the 2016 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2017	The Company was ranked among the top 100 in revenue growth in the 2016 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2018	The Company was ranked 4th in operational performance among electronics companies in the 2017 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2018	The Company was ranked 52nd in net income after tax in the 2017 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2018	The Company was ranked 35th in operating revenue in the 2017 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2018	The Company was ranked among the top 100 in revenue growth in the 2017 "Top 2000 manufacturing companies" by CommonWealth Magazine.
September 2018	China Securities Regulatory Commission approved the listing of the subsidiary company Avary Holding (Shenzhen) Co., Ltd. on Shenzhen A-Share.
March 2019	The second overseas conversion of corporate bonds converted 801,313 shares and the paid-up capital increased to NT\$8,055,496,720.
April 2019	The second overseas conversion of corporate bonds converted 96,680,215 shares and the paid-up capital increased to NT\$9,022,298,870.
May 2019	The Company was ranked 4th in operational performance among electronics companies in the 2018 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2019	The Company was ranked 38th in net income after tax in the 2018 "Top 2000 manufacturing companies" by CommonWealth Magazine.
May 2019	The Company was ranked 39th in operating revenue in the 2018 "Top 2000 manufacturing companies" by CommonWealth Magazine.
November 2019	The operation suspension of its wholly-owned subsidiary, Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.

Chapter 3 Corporate Governance

I. Organization

(I) Organization Chart

As of December 31, 2019



(II) Major Corporate Functions

Divisions	Functions
Investment Management Division	The Investment Management Division provides recommendations and decisions for major investments, acquisitions, and other business activities of the Company and participates in risk assessment and controls to maximize the interest of the Company and shareholders. The Investment Management Division is responsible for supervision and management of branch companies, subsidiary companies, and overseas investments.
Finance Division	The Finance Division is responsible for the Company's long-term and short-term fund planning, allocation, and usage.
Accounting Division	The Accounting Division is responsible for the Company's accounting tasks and the formulation and execution of accounting policies and systems.
Legal Affairs Division	The Legal Affairs Division is responsible for the formulation and management of the Company's intellectual property rights policies, review of contracts, and related litigation.
New Business Investment Division	The New Business Investment Division uncovers and consolidates investment opportunities for the Company's goals and development. It plans and implements investment projects and it is also responsible for investments in advanced materials from domestic and foreign sources and the promotion of technology collaboration.
Technology Development Division	The Technology Development Division is responsible for the formulation and implementation of the Company's technology development strategies and goals. It also integrates production, executes development of new technologies and products, and uses technology and creativity to increase the Company's value and competitiveness.
Human Resources Division	The Human Resources Division is responsible for the management of the Company's manpower, attendance management, and recruitment.
Information Technology Division	The Information Technology Division is responsible for the establishment and maintenance of a safe information system and the creation of related mechanisms such as firewalls. It is responsible for the formulation of the Company's information policies, planning and maintenance of information systems, and the creation, stability, timeliness, confidentiality, and security of Internet communication.
Spokesperson & Investor Relations Division	The Spokesman & Investor Relation Division is responsible for speaking on behalf of the Company to external entities regarding operations, finance, business philosophy, and businesses and delivering the Company's ideals for shareholders' interest.
General Affairs Division	The General Affairs Division is responsible for repairs and maintenance in plants, management and maintenance of the electricity and water supply system, maintenance of the generators and elevators, management of fire safety systems, and other facility management affairs.

II. Information Regarding Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Subsidiaries

(I) Information regarding Board Members (the Company does not appoint Supervisors)

1. Board Members:

As of April 21, 2020

Title	Nationality or Registry	Name	Gender	Date first elected	Date Elected	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse & Minors		Shares Held by Nominee Arrangement		Selected Education & Work Experiences	Current Positions at the Company and Other Companies	Board Members who has a spouse or relative within two degrees of consanguinity serving as a manager or director at ZDT			Note
							Shares	%	Shares	%	shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Chang-Fang Shen	Male	2006.06.05	2017.06.20	3	3,958,000	0.49%	4,158,000	0.46%	—	—	—	—	General Manager, Unicap Electronics Industrial Corp. General Manager, Promisedland Resort Executive Vice President, Pacific Securities Vice President of Underwriting, Asia Securities Section Chief, Export-Import Bank of the Republic of China Department of Business Administration, Chinese Culture University	Note 2	—	—	—	—
Director	CAYMAN ISLANDS	Foxconn (Far East) Limited		2008.02.18	2017.06.20	3	305,515,627	37.96%	305,515,627	33.86%	—	—	—	—	—	—	—	—	—	—
Director Representative	Republic of China	CHE-HUNG YU (Note 1)	Male	—	—	—	—	—	—	—	—	—	—	—	Director, Avary Holding (Shenzhen) Co., Ltd. Director, ShunSin Technology Holdings Limited Master in Law, American University, United States	Note 2	—	—	—	—
Director	BRITISH VIRGIN ISLANDS	Wide Choice Investments Limited		2011.06.07	2017.06.20	3	6,679,625	0.83%	6,679,625	0.74%	—	—	—	—	—	—	—	—	—	—
Director Representative	Republic of China	Te-Wang Hsiao (Note 1)	Male	—	—	—	117,975	0.01%	117,975	0.01%	—	—	—	—	Deputy Manager, Foxconn Technology Group Special Assistant, Unicap Electronics Industrial Corp. Master's degree, Cornell University, United States	Note 2	—	—	—	—

Title	Nationality or Registry	Name	Gender	Date first elected	Date Elected	Term	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse & Minors		Shares Held by Nominee Arrangement		Selected Education & Work Experiences	Current Positions at the Company and Other Companies	Board Members who has a spouse or relative within two degrees of consanguinity serving as a manager or director at ZDT			Note
							Shares	%	Shares	%	shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Chiu-Fong Huang	Male	2011.06.07	2017.06.20	3	—	—	—	—	—	—	—	—	Chairman, Usun Technology Co., Ltd. Chairman, Usun Materials Science Co., Ltd. Technology and Science Institute of Northern Taiwan	Note 2	—	—	—	
Independent Director	Republic of China	John-See Lee	Male	2011.06.07	2017.06.20	3	—	—	—	—	—	—	—	—	President, Industrial Technology Research Institute Chairman, Development Center for Biotechnology PhD in Chemical Engineering, Illinois Institute of Technology	Note 2	—	—	—	
Independent Director	Republic of China	Chih-Cheng Chou	Male	2011.06.07	2017.06.20	3	—	—	—	—	—	—	—	—	CPA and Managing Partner of Taipei Office, WeTec International CPAs Chairman, Taiwan Provincial Accountant Association PhD in Accounting, Shanghai University of Finance and Economics	Note 2	—	—	—	
Independent Director	Republic of China	Tung-Sheng Hsu	Male	2011.06.07	2017.06.20	3	—	—	—	—	—	—	—	—	Managing Partner, Pamir Law Group Partner, Direction International Law Offices (Taiwan Taipei) Bachelor of Law, National Chengchi University	Note 2	—	—	—	

Note 1: Mr. Che-Hung Yu was appointed as a Director Representative on February 1, 2013; Mr. Te-Wang Hsiao was appointed as a Director Representative on June 20, 2017.

Note 2: Directors' concurrent duties in the company and in other companies are summarized in the table below.

Title	Name	Concurrent position in the Company and/or other companies
Chairman	Chang-Fang Shen	Chairman, Avary Holding (Shenzhen) Co., Ltd. CHAIRMAN, ZHEN DING TECHNOLOGY CO., LTD. Chairman, Qiding Technology (Qinhuangdao) Co., Ltd.
Director Representative	Che-Hung Yu	Director, Avary Holding (Shenzhen) Co., Ltd. SUPERVISOR, GARUDA TECHNOLOGY CO., LTD. SUPERVISOR, ZHEN DING TECHNOLOGY CO., LTD. <u>Director, Syntrend Creative Park Co., Ltd.</u>
Director Representative	Te-Wang Hsiao	Sole Director, Garuda International Limited Director, Zhen Ding Technology Co., Ltd. Director, Garuda Technology Co., Ltd. Executive Director, Yunding Technology (Shenzhen) Co., Ltd.
Director	Chiu-Fong Huang	Chairman, Usun Technology Co., Ltd. Chairman, Usun Materials Science Co., Ltd. Chairman, Cheng Han Technology Co., Ltd. Chairman, Shanghai Usun Technology Co., Ltd. Chairman, Usun (Foshan) Technology Co., Ltd. President, Hebei Quancheng Industrial Technology Co., Ltd. Chairman, Usun Materials Science (Shanghai) Co. Ltd. Chairman, Jierui Construction Technology (Guangdong) Co., Ltd.
Independent Director	John-See Lee	Independent Director, Far Eastern New Century Corporation Independent Director, Everlight Electronics Co., Ltd. Independent Director, San Fu Chemical Co., Ltd. Chairman, Personal Genomics Taiwan, Inc. Chairman, Quark Biosciences, Inc.
Independent Director	Chih-Cheng Chou	CPA, WeTec International CPAs Independent Director, Leader Electronics Inc. Independent Director, Sonix Technology Co., Ltd. Director, UltraChip Inc. Supervisor, Orient EuroPharma Co., Ltd. Supervisor, Taipei Livestock & Poultry Products Ltd.
Independent Director	Tung-Sheng Hsu	Managing Partner, Pamir Law Group (Taiwan Taipei)

2. Major Shareholders of Institutional Director

Name of Institutional Director	Major shareholders of Institutional Director
Foxconn (Far East) Limited	HON HAI PRECISION INDUSTRY CO., LTD.
Wide Choice Investments Limited	Right Thrive Limited

3. Major Institutional Shareholders (Top 10 Shareholders) and Percentage of Shares Held of Hon Hai Precision Industry Co., Ltd./Right Thrive Limited

As of April 21, 2020

Major Shareholder of Institutional Director	Major Institutional Shareholders (Top 10 Shareholders)	Shares Held (share)	Shares Held (%)
Hon Hai Precision Industry Co., Ltd.	Terry Gou	1,341,768,518	9.68%
	CTBC in custody for Terry Gou Trust Treasury Account	400,000,000	2.89%
	Government of Singapore	256,075,219	1.85%
	New Labor Pension Fund	225,037,438	1.62%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	208,209,135	1.50%
	JPMorgan Chase Bank N.A. in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	170,320,761	1.23%
	Norges Bank	167,370,948	1.21%
	Citibank in custody for Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account	145,748,093	1.05%
	Standard Chartered Bank in custody for the Fidelity Puritan Trust: Fidelity Low-Priced Stocks Fund	142,480,912	1.03%
	Fubon Life Insurance	140,340,000	1.01%
Right Thrive Limited	Keen Victor Limited	1	100.00%

4. Professional Qualifications and Independence Analysis of Directors

Name	Meet One of the Following Professional Requirements, Together with at Least Five Years Working Experience			Compliance with Independence Criteria (Note)												Number of serving other public companies as an independent director	
	In a position of instructor or higher from a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	A judge, prosecutor, lawyer, accountant, or other national examinations required for professional practice or technician that must undergo national examinations and specialized license	Work experience required for business administration, legal affairs, finance, accounting, or other business related field of the company	1	2	3	4	5	6	7	8	9	10	11	12		
Chang-Fang Shen	—	—	✓	—	—	—	✓	✓	—	—	✓	✓	✓	✓	✓	0	
Foxconn (Far East) Limited Representative: Che-Hung Yu	—	✓	✓	✓	—	✓	✓	—	✓	✓	✓	✓	✓	—	✓	—	0
Wide Choice Investments Limited Representative: Te-Wang Hsiao	—	—	✓	—	—	✓	✓	✓	—	—	✓	✓	—	✓	—	—	0
Chiu-Fong Huang	—	—	✓	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	0
John-See Lee	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chih-Cheng Chou	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tung-Sheng Hsu	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

(II) Remuneration Paid to Directors and Supervisors in Recent Years

1. Remuneration Paid to Directors and Independent Directors (Note)

Unit: NT\$ thousands

Title	Name	Remuneration Paid to Directors				(A+B+C+D) as % of Net Income	Compensation Earned as an Employee of the Company or of the Company's Consolidated Entities				(A+B+C+D+ E+F+G) as % of Net Income	Compensation from Non-consolidate d Affiliates or Parent Company	
		Salary (A)	Pension (B)	Remuneration (C)	Allowances (D)		Salary, Bonus and etc. (E)	Pension (F)	Employee Compensation (G)				
									Consolidated Entities	The Company	The Company	Consolidated Entities	
Chairman	Chang-Fang Shen	1,440	1,440	6,000	6,000	0.06	0.06	130,273	—	—	—	—	
Director	Foxconn (Far East) Limited												
Representative	Che-Hung Yu												
Director	Wide Choice Investments Limited												
Representative	Te-Wang Hsiao												
Director	Chiu-Fong Huang												
Independent Director	John-See Lee	2,160	2,160	4,500	4,500	0.05	0.05	—	—	—	—	—	
Independent Director	Chih-Chen Chou												
Independent Director	Tung-Sheng Hsu												

2. Remuneration Paid to Supervisors: Not applicable as the Company has not appointed Supervisors.

Note: The Company's Board of Directors approved the distribution of employees' compensation in total of NT\$75,057,013 and Directors' remuneration in total of NT\$10,500,000 for 2019. As of the publication date of the Annual Report, the distribution lists of employees and Directors have not been determined. The aforementioned amount is only an estimate.

Table of Remuneration Range Paid to Directors

Remuneration Range	Name of Directors			
	Remuneration Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities (H)	The Company	Consolidated Entities (I)
Less than NT\$1,000,000	Che-Hung Yu	Che-Hung Yu	Che-Hung Yu	Che-Hung Yu
NT\$1,000,000 to NT\$2,000,000	Foxconn, Wide Choice, Chang-Fang Shen	Foxconn, Wide Choice, Chang-Fang Shen	Foxconn, Wide Choice, Chang-Fang Shen	Foxconn, Wide Choice
NT\$2,000,000 to NT\$3,500,000	John-See Lee, Chiu-Fong Huang, Chih-Chen Chou, Tung-Sheng Hsu			
NT\$3,500,000 to NT\$5,000,000	—	—	—	—
NT\$5,000,000 to NT\$10,000,000	—	—	—	—
NT\$10,000,000 to NT\$15,000,000	—	—	—	Te-Wang Hsiao
NT\$15,000,000 to NT\$30,000,000	—	—	—	—
NT\$30,000,000 to NT\$50,000,000	—	—	—	—
NT\$50,000,000 to NT\$100,000,000	—	—	—	—
Above NT\$100,000,000	—	—	—	Chang-Fang Shen
Total	8	8	8	9

(III) Information Regarding Management Team

As of April 21, 2020

Title	Nationality	Name	Gender	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held by Nominee Arrangement		Selected Education & Work Experiences	Current Position at Other Companies	Managers who has a spouse or relative within two degrees of consanguinity serving as a manager at ZDT			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Ting-Chuan Lee	Male	2017/05/11	—	—	—	—	—	—	Manager, Compeq Manufacturing Company Limited Vice President, Unimicron Technology Corp. General Manager, Subtron Technology Co., Ltd. EMBA, National Taiwan University	N/A	—	—	—	
Financial Executive	Republic of China	Tun Ling	Female	2018/03/15	10,000	—	—	—	—	—	Department of Underwriting, Asia Securities General Manager, Apex Investment Consulting Co., Ltd. Supervisor, Ways Technical Corp., Ltd. Spokesperson, Zhen Ding Technology Holding Bachelor's degree, Tatung University	Director, Garuda Technology Co., Ltd.	—	—	—	
Accounting Executive	Republic of China	Jin-Ten Chang	Male	2017/05/11	15,000	—	—	—	—	—	Deputy Manager, Au Optronics Corp.; Deputy Section Chief, Deloitte; Public Finance, National Chengchi University	N/A	—	—	—	

Compensation and Employee Bonus Paid to Management Team

Unit: NT\$ thousands; thousand shares; %

Title	Name	Salary (A)	Pension (B)	Bonuses, Allowances etc. (C)	Employees' Compensation (D)				(A+B+C+D) as % of Net Income		Compensation from Non-consolidated Affiliates or Parent Company	
		The Company	Consolidated Entities	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities		
					Cash	Stock	Cash	Stock				
President	Ting-Chuan Lee	4,873	4,873	—	3,286	20,654	—	20,654	—	0.23%	0.23%	—
Financial Executive	Tun Ling											
Accounting Executive	Jin-Ten Chang											

Note: The Company's Board of Directors approved the distribution of employees' compensation in total of NT\$75,057,013 for 2019. As of the publication date of the Annual Report, the distribution list of employees has not been determined. The aforementioned amount is only an estimate.

Compensation Paid to Management Team with the Highest Compensation (Note 1)

Units: NT\$; shares; %

Title	Name	Salary (A) (Note 2)		Pension (B)	Bonus and Allowance (C) (Note 3)	Employee's Compensation (D) (Note 4)				(A+B+C+D) as % of Net Income (%) (Note 5)		Compensation from Non- consolidated Affiliates or Parent Company (Note 6)
		The Company	Consolidated Entities			The Company		Consolidated Entities		The Company	Consolidated Entities	
		Cash	Stock	Cash	Stock							
President	Ting-Chuan Lee	2,451,770	2,451,770	—	1,619,138	14,917,225	—	14,917,225	—	0.14%	0.15%	—
Financial Executive	Tun Ling	1,389,940	1,389,940	—	714,881	3,671,932	—	3,671,932	—	0.04%	0.05%	—
Accounting Executive	Jin-Ten Chang	1,031,205	1,031,205	—	952,353	2,065,462	—	2,065,462	—	0.02%	0.03%	—

Note 1: "Top five management personnel with the highest compensation" refer to the company's managerial officers, which are recognized in accordance with the scope of application of "managerial officers" in Taiwan-Finance-Securities-III-0920001301 issued by the Former Treasury Securities and Exchange Commission on March 27, 2003. "Top five management personnel with the highest compensation" is determined by the sum of salary, severance pay and pensions, bonus and allowance, and employee's compensation (i.e., sum of A+B+C+D) paid to the company's managerial officers from all consolidated entities. If the aforementioned managerial officer is also a director, it shall be indicated in this table.

Note 2: The salary, bonuses, and severance pay of top five managerial officers with the highest compensation in the most recent year.

Note 3: The various bonuses, rewards, transportation allowance, special allowance, various types of allowances, accommodation, can rental expenses provided and other compensations paid to the top five managerial officers with the highest compensation in the most recent year. If residences, cars and other transports or personal expenses are provided, information about the assets including nature, cost, actual or fair market values of rent, gasoline expenses, and other perks shall be disclosed.

Note 4: If amount cannot be estimated, the amount to be distributed this year is calculated according to the percentage actually distributed last year, and Table 1.3 shall be completed.

Note 5: Net profit after tax disclosed from the latest financial statement of each company.

Note 6: a. Remuneration amount received by top five managerial officers with the highest compensation from non-subsidiary affiliates or the parent company (If no remuneration is received, please indicate "None").

b. Remuneration refers to compensation, remuneration (including remuneration to employees, directors and supervisors), and rewards related to business execution expenses received by the Company's top five managerial officers with the highest compensation who serve as directors, supervisors, or managerial officers of on-subsidiary affiliates or the parent company.

* The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

Table of Compensation Range Paid to President and Vice Presidents

Compensation Range	Name of President and Vice Presidents	
	The Company	Consolidated Entities E = (A + B + C + D)
Less than NT\$1,000,000	—	—
NT\$1,000,000 to NT\$2,000,000	—	—
NT\$2,000,000 to NT\$3,500,000	—	—
NT\$3,500,000 to NT\$5,000,000	—	—
NT\$5,000,000 to NT\$10,000,000	—	—
NT\$10,000,000 to NT\$15,000,000	—	—
NT\$15,000,000 to NT\$30,000,000	Ting-Chuan Lee	Ting-Chuan Lee
NT\$30,000,000 to NT\$50,000,000	—	—
NT\$50,000,000 to NT\$100,000,000	—	—
Above NT\$100,000,000	—	—
Total	1	1

(IV) Comparison and analysis of the total remuneration/compensation paid to each Director, Supervisor, President and Vice Presidents over the past two years by the Company and all companies listed in the consolidated financial statement as a percentage of total net income, and descriptions of the policies, standards, and packages for payment of remuneration/compensation, the procedures for determining remuneration/compensation, and its linkage to business performance and future risk exposure:

1. Analysis of the total remuneration/compensation paid to each Director, President and Vice President by the Company and all companies listed in the consolidated financial statement as a percentage of net income:

Unit: NT\$ thousands

Item	2018		2019	
	Amount	%	Amount	%
Directors, President and Vice Presidents	187,757	1.63%	236,371	1.91%
Total Net Income	11,536,495	100.00%	12,401,617	100.00%

2. Policies, standards, and packages for payment of remuneration/compensation, as well as the procedures for determining remuneration/compensation, and its linkage to business performance and future risk exposure:

- (1) Remuneration paid to Directors is distributed based on their positions in the Company, their involvement in the Company's business performance, and the value of their contribution.
- (2) Compensation paid to President and Vice Presidents is paid based on their positions, their contributions to the Company, and with reference to standards in the industry in accordance with the Company's human resources regulations.

(V) Links between Directors' performance evaluation and their salary and remuneration

The Company's remuneration for Directors is based on regulations in Article 13.4 of the Company's Articles of Incorporation. It shall set aside no more than 0.5% of profits of the current year as remuneration for Directors. It shall also provide reasonable remuneration

based on the results of operations and the Directors' contribution to the performance of the Company. The Company shall establish procedures for determining the remuneration which shall be assessed based on the performance evaluation of the Board of Directors and functional committee. In addition to the Company's overall performance, future development trend and risks in the industry, the Company shall also consider individual's contribution to the Company's performance for providing reasonable remuneration. All related performance evaluation and the reasonableness of salary and remuneration shall be reviewed by the Remuneration Committee and the Board of Directors. They shall review the remuneration in a timely manner based on actual business operations and related laws to maintain a balance between sustainable management and risk management.

(VI) Strengthening the reasonableness and appropriateness of remuneration paid to independent directors

1. The Company has established a Remuneration Committee. The committee is responsible for assisting the Board to propose the company's overall remuneration policies, remunerations to directors (including independent directors) and managerial officers, and how remunerations are distributed. After the level of participation and contribution by individual directors in company operations, salary levels in the industry, necessity, rationality, legality, company risk appetite, and industry level assessments are taken into consideration, the evaluation results are presented to the Remuneration Committee and Board of Directors for discussion and approval, after which remunerations are distributed. Distribution of remuneration is closely related to business performance.
2. Independent directors shall exercise the due care of a good administrator, faithfully perform the duties prescribed in laws and regulations, and be accountable to the Board of Directors.
3. The Company does not pay additional allowance, transportation allowance, resignation, bonuses, severance, and various types of allowances.

(VII) Goals to strengthen the functionality of the board of directors and assessment of implementation results in the current year and most recent year

1. To strengthen board functionality and increase transparency of information disclosure, the Company engages in material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, in accordance with the applicable laws and/or regulations. When establishing or revising applicable operating procedures, such procedures shall be reported to and approved in the shareholders meeting, and announced on the Market Observation Post System (MOPS) and the company's website to protect the interests of the shareholders.
2. For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company may set up Audit Committee, Remuneration Committee, Business Strategy Committee, Sustainable Development Committee, and Ethical Corporate Management Work Group to fulfill the company's corporate social responsibilities and achieve sustainability goals.
3. The Board of Directors establishes or amends handling procedures and organizational charter to strengthen board functionality. Implementation results in the current year and most recent year are described below.

Meeting Date	Session	Handling Procedures Established or Amended and Name of Regulations
March 29, 2019	12th meeting of the 3rd Board of Directors	<ol style="list-style-type: none"> 1. Approving amendments to the “Procedures for Acquisition and Disposal of Assets” 2. Approving amendments to the “Policies and Procedures for Financial Derivatives Transactions” 3. Approving amendments to the “Procedures for Endorsements and Guarantees” 4. Approving amendments to the “Procedures for Lending Funds to Other Parties” 5. Approving amendments to the “Articles of Association” 6. Approving amendments to the “Corporate Governance Best Practice Principles” 7. Approving amendments to the “Remuneration Committee Charter” 8. Approving amendments to the “Rules of Performance Evaluating of Board of Directors and Functional Committees” 9. Establishment of the “Standard Operating Procedures for Requests filed by Directors”
August 13, 2019	15th meeting of the 3rd Board of Directors	<ol style="list-style-type: none"> 1. Approving amendments to the “ Ethical Corporate Management Best Practice Principles”
November 12, 2019	16th meeting of the 3rd Board of Directors	<ol style="list-style-type: none"> 1. Establishment of the “Ethical Corporate Management Operating Procedures and Code of Conduct”
March 30, 2020	19th meeting of the 3rd Board of Directors	<ol style="list-style-type: none"> 1. Approving amendments to the “Rules and Procedures of Board of Directors’ Meeting” 2. Approving amendments to the “Audit Committee Charter” 3. Approving amendments to the “Remuneration Committee Charter” 4. Approving amendments to the “Corporate Governance Best Practice Principles” 5. Approving amendments to the “Corporate Social Responsibility Best Practice Principles” 6. Approving amendments to the “Ethical Corporate Management Operating Procedures and Code of Conduct” 7. Approving amendments to the “Rules and Procedures of Shareholders’ Meeting” 8. Approving amendments to the “Articles of Association”

III. Implementation of Corporate Governance

(I) Board of Directors Meeting Status

1. The Board of Directors of the Company shall be convened quarterly. The reasons for calling a Board meeting shall be notified to each director at least seven days in advance. In emergency circumstances; however, a meeting may be called on shorter notice. Except in cases of emergency or for other justifiable reasons, issues must be specified in the meeting notice and shall not be raised as extraordinary motions.
Notices specified in the preceding paragraph may be distributed in electronic form.
2. A total of 7 meetings (A) were convened by the Board of Directors in 2019 . The Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)
Chairman	Chang-Fang Shen	7	0	100%
Director	Foxconn (Far East) Limited Representative: Che-Hung Yu	6	1	85.7%
Director	Wide Choice Investments Limited representative: Te-Wang Hsiao	7	0	100%
Director	Chiu-Fong Huang	6	1	85.7%
Independent Director	John-See Lee	7	0	100%
Independent Director	Chih-Chen Chou	7	0	100%
Independent Director	Tung-Sheng Hsu	7	0	100%

Other items that shall be recorded:

- I. None of the following conditions occurred in the operations of the Board of Directors:
 - (I) Conditions listed in Article 14-3 of the Securities and Exchange Act.
 - (II) In addition to the preceding matter, other resolutions of the Board of Directors on which Independent Directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements.
- II. When a director recuses himself/herself from proposals involving the conflict of interest, the director's name, the proposal, cause for the conflict of interest, and the voting shall be specified:
There were no proposals involving the conflicts of interests that the Company's Directors shall recuse themselves from the meetings.
- III. Programs this year and in the most recent year for strengthening the functionality of the Board (establishment of an audit committee, improve transparency, etc.) and the evaluation of such measures.
(Please refer to the Annual Report for relevant information)

(II) Board Diversification

As of December 31, 2019

Core Items	Basic Composition					Practical Experience in the Industry				Professional Capability					
	Name of Directors	Nationality	Gender	Age		Number of Years Acting as Independent Director of the Company	Employee of the Company	Insurance	Banks	Securities	Business Management	Asset Management	Finance	Accounting	Law	Risk Management
				51 to 60	61 to 70			Insurance	Banks	Securities	Business Management	Asset Management	Finance	Accounting	Law	Risk Management
Chang-Fang Shen	Republic of China	Male		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
Che-Hung Yu	Republic of China	Male	✓					✓	✓	✓		✓		✓	✓
Te-Wang Hsiao	Republic of China	Male	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Chiu-Fong Huang	Republic of China	Male		✓				✓	✓	✓	✓	✓	✓	✓	✓
John-See Lee	Republic of China	Male		✓		8.8 years		✓	✓		✓	✓		✓	✓
Chih-Cheng Chou	Republic of China	Male		✓		8.8 years		✓		✓	✓	✓	✓	✓	✓
Tung-Sheng Hsu	Republic of China	Male	✓			8.8 years		✓	✓		✓	✓		✓	✓

(III) Evaluation of the Board of Directors

Evaluation Cycle	Once a year
Evaluation Period	From January 1, 2019 to December 31, 2019
Evaluation Scope	Performance evaluation of the board as a whole, individual directors and functional committees
Evaluation Method	Board internal self-assessment and director self-assessment
Evaluation Measures	<p>1. Performance Evaluation of the Board of Directors: At least including level of participation in the Company's operations, improvements in the quality of decision making by the Board of Directors, composition and structure of the Board of Directors, election and continuing education of the Directors, and internal controls.</p> <p>2. Performance Evaluation of Individual Director: At least including familiarity with the Company's goals and missions, understanding of the Director's role and responsibilities, level of participation in Company's operations, internal relationship management and communication, professionalism and continuing education, and internal controls.</p> <p>3. Performance Evaluation of Functional Committees: level of participation in the Company's operations; understanding of the committee's role and responsibilities; improvement in the quality of decision making by the committee; the composition of functional committee and the election of committee members; and internal controls.</p>

1. The Company's Board of Directors established the " Rules of Performance Evaluation of the Board of Directors and Functional Committees " on August 10, 2018 and amended it on March 29, 2019. The rules state that at least one performance evaluation of the Board of Directors and functional committees is required each year. The Company completed the evaluations in January 2020 and reported the evaluation results and plans for continuous improvement to the Board of Directors on March 30, 2020.
2. Measures of the Company's board performance evaluation include the following five dimensions:
 - (1) Level of participation in the Company's corporate operations
 - (2) Improvement in the quality of decision-making
 - (3) Composition and structure
 - (4) Election and continuing education
 - (5) Internal controls
3. The items of self-assessment for directors should encompass at least the following six dimensions
 - (1) Familiarity with the Company's goals and mission
 - (2) Understanding of the role and responsibilities
 - (3) Level of participation in the Company's operations
 - (4) Internal relations management and communication
 - (5) Professionalism and continuing education
 - (6) Internal controls

4. The Company's evaluation items for the performance evaluation of functional committees shall include at least the following five dimensions:
 - (1) Level of participation in the Company's operations
 - (2) Understanding of the committee's role and responsibilities
 - (3) Improvement in the quality of decision-making by the functional committees
 - (4) The composition of functional committees and the election of committee members
 - (5) Internal controls
5. After the questionnaires are collected, the Chairman's Office, who is responsible for the performance evaluation of the Board of Directors and functional committees, shall report the evaluation results to the Board of Directors and propose recommendations for improvements.
6. Rules of performance evaluating of Board of Directors and functional committees and evaluation results is disclosed on the Company's website.

(IV) Supervisors' participation in board meetings:

The Company has not appointed supervisors.

(V) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Does the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company stipulated and disclosed best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.	None
II. Equity structure and shareholders' rights of the Company	✓			
(I) Does the Company establish internal procedures to handle shareholder's suggestions, questions, problems, and litigations, and implemented these measures accordingly?	✓		(I) To protect shareholders' rights and interests, the Company has established the "Corporate Governance Best Practice Principles" and assigned a spokesperson to process shareholders' recommendations and questions. Disputes and litigation are processed by the Legal Affairs Division in accordance with the Corporate Governance Best Practice Principles.	None
(II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(II) The Company reports changes in the number of shares held by insiders each month on the Market Observation Post System (MOPS) designated by the Financial Supervisory Commission in accordance with regulations. We also possess the list of major shareholders of the Company and owners with ultimate control over main shareholders.	None
(III) Does the Company establish and carry out risk management and firewall mechanism within affiliated companies?	✓		(III) The assets and financial management duties of affiliated companies are independent from one another and the implementation of risk management and firewall mechanism are processed in accordance with the internal control system of the Company to prevent irregular transactions.	None
(IV) Does the Company establish internal regulations against insider trading with	✓		(IV) The Company has established the "Procedures for the Prevention of Insider Trading" to prevent the Company's insiders and	None

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
undisclosed information?			employees from using information that has not been disclosed on the market to purchase and sell securities. Please refer to the annual report for internal policies.	
III. Composition and responsibilities of the Board of Directors:				
(I) Does the Board establish and implement a diversified policy for the composition of its members?	✓		(I) Twenty-eight percent and forty-two percent of the Company's directors and independent directors are employees of the Company, respectively. All members of the Company's Board of Directors have strategic leadership, knowledge of the industry, international perspectives, professional skills, leadership skills, business decision-making skills, and knowledge of business management and professional experiences. Among them, the Directors Che-Hung Yu and Independent Director Tung-Sheng Hsu have legal expertise. The Independent Director Chih-Chen Chou has a finance and accounting background and is a professional CPA. We leverage the diverse industry expertise of Directors to gain positive benefits for the Company's operations and development. Please refer to the annual report for details on board diversification.	None
(II) In addition to setting up a Remuneration Committee and Audit Committee, does the Company voluntarily establish other functional committees?	✓		(II) The Company has voluntarily set up the Business Strategy Committee, the Sustainable Development Committee, and the Ethical Corporate Management Work Group. These groups operate in accordance with related regulations. The Company shall set up other functional committees based on the Company's requirements in future operations.	None
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation	✓		(III) The Company has presented the performance evaluation results to the Board of Directors on March 29, 2019, and used the results as reference for individual director remuneration and re-election nomination. Please refer to the annual report for specific evaluation regulations and evaluation methods.	None

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
results to the Board of Directors, and used the results as reference for individual director remuneration and re-election nomination? (IV) Does the Company regularly evaluate the independence of its certified public accountant (CPA)?	✓		<p>(V) The Company reviews the independence of CPAs each year before deciding on their appointment. The Company verifies that with the exception of expenses for auditing and taxation cases, the CPAs Yung-Chien Hsu and Min-Chuan Feng and the Company have no other common financial interests or business relations. After receiving approval from the Audit Committee and the Board of Directors, the Company continued to review CPAs and fees.</p> <p>Reviews for the past two years were completed on March 29, 2019 and March 30, 2020. For detailed criteria for assessing the independence of CPAs, please refer to the annual report.</p>	None
IV. Does the Company set up a dedicated unit with suitable number of personnel or appointed designated personnel and supervisor to be in charge of corporate governance related affairs (including but not limited to providing information requested by Directors, assisting directors to comply with law, convening board meetings and shareholders' meetings according to regulations, processing company registration and change of registration, and preparing minutes of board meetings and shareholders' meetings)?	✓		<p>Ms. Wei-Ping Chen of the Company's Finance Division serves as the part-time corporate governance personnel of the Company to safeguard shareholder interests and strengthen the functions of the Board of Directors. She has more than 22 years of experience in shareholder affairs and meeting management tasks. Her main duties are to provide information required for business execution by Directors, assist with legal compliance, and process matters related to board meetings and shareholders' meetings. The operations and status of implementation are as follows:</p> <p>(I) Assist Independent Directors and general Directors in performing their duties by providing the necessary information and arranging for continuing education for Directors.</p> <ol style="list-style-type: none"> 1. Provide company information required by the Directors to maintain smooth communication and interaction between the Board of Directors and the heads of divisions. 2. Assist Independent Directors in arranging meetings with the 	Although the Company does not have a corporate governance supervisor who is approved by the Board of Directors, the appointed designated personnel to be in charge of governance related affairs has more than 22 years of experience in shareholder affairs and meeting management tasks (including but not limited to providing information requested by Directors, assisting directors to comply with law, convening

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>head of internal audit or CPAs in accordance with the Corporate Governance Best Practice Principles when they need to understand the Company's financial operations.</p> <p>3. Design appropriate company systems and organizational structure to promote the independence of the Board of Directors and transparency of the Company and to implement internal control.</p> <p>4. Consults the opinions of the Directors before the meeting to formulate the agenda and arrange directors' education plans and courses.</p> <p>(II) Prepare the agenda and notify the directors 7 days before the meeting of the board of directors, convene the meeting and provide sufficient meeting materials; if the meeting topic is relevant to the interested parties and should be appropriately avoided, a relative pre-person reminder will be given. The minutes of the board meeting shall be completed within 20 days after the meeting.</p> <p>(III) Register the date of the shareholders' meeting in accordance with regulations, provide the AGM meeting notice, the AGM meeting agenda and the minutes of AGM before the deadline, and apply for change registration to the registered country after the amendment of the articles of association or the re-election of the directors.</p> <p>(IV) Responsible for releasing the material information regarding important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of these material information are adequate for investors.</p> <p>(V) Handle the Group's corporate registration and amendment registrations, such as re-election of directors and supervisors upon term expiration, change of business address, and amendment of Articles of Incorporation.</p> <p>(VI) Arrange continuing education courses for directors and assist</p>	board meetings and shareholders' meetings according to regulations, processing company registration and change of registration, preparing minutes of board meetings and shareholders' meetings, arranging continuing education courses for directors, and assisting directors to comply with law).

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			directors to comply with law.	
V. Does the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers) and it uses telephone, email, or meetings to adequately respond to stakeholders' inquiries on significant corporate social responsibility issues and present communication reports to the Board of Directors. Please refer to the annual report for more information.	None
VI. Does the Company appoint a professional shareholder services agency to handle affairs related to shareholders' meetings?	✓		The Company has engaged Grand Fortune Securities to handle affairs related to shareholders' meetings and ex-dividend matters.	None
VII. Information Disclosure (I) Has the company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	✓		(I) The Company discloses information regarding its financial, business and corporate governance in English and Chinese on its website: http://www.zdtco.com .	None
(II) Has the company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company's website)?	✓	✓	(II) The Company has established a company website in Chinese and English. The spokesperson is responsible for the collection and disclosure of company information in Chinese and English, implementing the spokesperson system, and provide related information for investors' conferences on the MOPS and company website at least one day before the investor conference.	None
(III) Has the company announced and reported its annual financial report within two months after the end of the fiscal year, and	✓			The Company announced and reported its financial related reports in

Assessment items	Implementation Status			Deviate from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
disclosed its Q1, Q2, and Q3 financial reports as well as monthly operation status ahead of the prescribed deadline?				accordance with the reporting period specified in Article 36 of the Securities and Exchange Act of the place where the company is listed.
VIII. Has the company provide other important information to facilitate a better understanding of its corporate governance practices:	✓		Please refer to the annual report for more information.	None
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved: None.				

1. Employee rights and benefits: To mitigate employees' risks of excessively long working hours, the Company has established regulations on working hours and regularly inspected and managed employees' attendance to protect their legal rights.
2. Investor relations: The Company values investors' interest. In addition to publishing related information on MOPS in accordance with regulations, it also assigned dedicated personnel to process shareholders' recommendations.
3. Supplier relations: Supplier relations are processed in accordance with the Company's regulations for operations. Partners perform their obligations in accordance with contracts to protect the rights of both parties. The Company maintains good relations with suppliers.
4. Rights of stakeholders: Where necessary, stakeholders may communicate and provide recommendations to the Company through the telephone or mail. The Company has established a section on its website for stakeholders and properly respond to corporate social responsibility issues of concern to the stakeholders to protect their legal rights and interests.
5. Implementation of risk management policies and risk assessment standards: The Company has established various internal control systems and internal management regulations for risk management and assessment. The Company analyzes, tracks, and responds to high-risk incidents that may affect operations to improve risk management mechanisms. (Please refer to the annual report for more information)
6. Implementation of customer relations policies: The Company chooses the right customers and establishes a grading and classification system. We establish good relations with all levels of the customer and uncover development opportunities for new products. We maintain stable and positive relations with customers to jointly generate profits for the Company.
7. The Company purchases liability insurance for all Directors (including Independent Directors).

Insured Individuals	Insurance Company	Insurance Amount (NT\$)	Insurance Period (start and expiry)	Insurance Status
All directors and key manager	Ace American Insurance Company	450,000,000	From January 1, 2019 to December 31, 2019	Renewed

* At a board meeting on December 28, 2018, the Company reported the amount of liability insurance purchased for directors (including independent directors) and key managers since 2012, including a premium increase from US\$15,000,000 to US\$20,000,000 in 2020, insurance coverage, and insurance rates.

8. The Company places great emphasis on human rights issues and regularly discloses the following information regarding related risks:
 - (1) Diversity, tolerance, and equal opportunity:
The Company does not discriminate between gender, race, age, marriage, family status, language, religion, partisanship, nationality or physical and mental disabilities. We also regularly follow up with the implementation status of policies for diversity, tolerance, and equal opportunity.
 - (2) Employee care and a healthy and safe workplace:
To prevent potential health and safety risks caused by work, we use the employee welfare system, education and training, and health examination subsidies to ensure that the Company provides employees with a healthy and safe workplace in accordance with the regulations of human rights organizations. This is to reach the goals of zero discrimination in hiring policies, equal opportunities in hiring, and a working environment free of discrimination or harassment.
 - (3) Freedom of association:
The Company established diverse clubs and actively encourages employees to participate in club activities.
 - (4) Labor-management negotiation:
The Company established smooth communication channels and regularly organizes labor-management meetings to protect the rights of both parties.
 - (5) Privacy protection:
The Company has established comprehensive information security management mechanisms and adopted rigorous control and management regulations and protection measures to protect the privacy of customers and all stakeholders.
 - (6) The Company invites all partners (including suppliers) to jointly raise the awareness of human rights topics and focuses on the management of related risks.

9. Continuing education status of directors and remuneration committee members: the education status in 2019 is compiled as follows

Title	Name	Date	Host by	Course Title	Hours
Chairman	Chang-Fang Shen	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Director Representative	Che-Hung Yu	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Director Representative	Te-Wang Hsiao	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Director	Chiu-Fong Huang	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Independent Director	Chih-Chen Chou	2019.04.22	Corporate Operation Association of the Republic of China	How to Convene a Shareholders' Meeting in 2019	3 hours
Independent Director	Chih-Chen Chou	2019.07.11	Corporate Operation Association of the Republic of China	Opportunities and Strategies of Mergers and Acquisitions for Taiwanese Corporations Amid the US-China Trade War	3 hours
Independent Director	Chih-Chen Chou	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Independent Director	Chih-Chen Chou	2019.12.03	Corporate Operation Association of the Republic of China	Identifying Corporate Frauds or Business Crisis from Financial Reports	3 hours
Independent Director	Chih-Cheng Chou	2019.12.13	ACFE Taiwan Chapter	Interpreting Body Languages	3 hours
Independent Director	John-See Lee	2019.07.23	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance	3 hours
Independent Director	John-See Lee	2019.08.07	Taiwan Corporate Governance Association	Tariff Impact and Responses of Businesses Amid the US-China Trade War	3 hours
Independent Director	John-See Lee	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Independent Director	Tung-Sheng Hsu	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Remuneration Committee Member	Cheng-En Ko	2019.02.19	Taiwan Corporate Governance Association	2019 Global Trend Analysis - Risks and Opportunities	1 hour
Remuneration Committee Member	Cheng-En Ko	2019.05.08	Taiwan Corporate Governance Association	The Importance of Integration of Environment, Society , Corporate Governance (ESG) Elements in Investment - Perspective of the Aberdeen Standard Investment	1 hour
Remuneration Committee Member	Cheng-En Ko	2019.06.21	Taiwan Academy of Banking and Finance	Workshop on the Financial Consumer Protection Act	3 hours

Title	Name	Date	Host by	Course Title	Hours
Remuneration Committee Member	Cheng-En Ko	2019.08.27	Taiwan Corporate Governance Association	Artificial Intelligence in Taiwan: Opportunities and Challenges of Industry Transformation	1 hour
Remuneration Committee Member	Cheng-En Ko	2019.10.28	Taiwan Academy of Banking and Finance	International Trends and Laws on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)	3 hours
Remuneration Committee Member	Cheng-En Ko	2019.10.29	Taiwan Corporate Governance Association	Impact of Tax Avoidance Laws and Response of Taiwan-Based CSR Overseas Companies	3 hours
Remuneration Committee Member	Cheng-En Ko	2019.10.29	Taiwan Corporate Governance Association	Predicaments of Overseas Tax Havens	3 hours
Remuneration Committee Member	Cheng-En Ko	2019.11.26	Taiwan Corporate Governance Association	Compliance and Supervision	1 hour

10. On August 13, 2019 and November 12, 2019, the Company has conducted educational campaigns to promote awareness among all directors, managerial officers, and employees with respect to laws and regulations relevant to the "Procedures for Handling Material Inside Information" and "Procedures for Management of Insider Trading Prevention". Educational campaigns are also provided to new directors, managerial officers, and employees when appropriate. Courses cover the scope of material inside information, process of identification, confidentiality, trade practices, and violation handling. These contents are provided to all directors, managerial officers, and employees.
11. Describe improvement situations, priority for improvement, and measures based on the most recent corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange.
 - (1) A total of **868** listed companies and **686** listed and OTC companies have undergone corporate governance evaluation in 2018 (evaluation results for 2019 have not yet been published). Among **1554** companies, the Company scored **89.5** points in the corporate governance evaluation. The range of our ranking by listed companies: **6%-20%**.
 - (2) The Company has numerous improvement measures in place to address the items which failed the 2018 evaluation. These measures include: Uploading an English annual report seven days before shareholders' meeting, establishing the Rules for Evaluating Board of Directors and Functional Committee Performance, completing performance evaluation before the end of the first quarter of the following year, and setting up an English website (which discloses finance, business, and corporate governance related information).

(VI) Composition, duties, and operation of the Remuneration Committee:

1. The Company's Remuneration Committee was established based on the resolution of the board meeting on July 20, 2011. The board resolved to elect three members of the Remuneration Committee in the board meeting on June 20, 2017. Information on members is as follows:

Title	Name	Criteria	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence										Number of other public companies in which the member also serves as a member of their remuneration committee
			Serve as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10	
Convener	Chih-Chen Chou		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5
Member	Tung-Sheng Hsu		—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Member	Cheng-En Ko		✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5

2. The Company approved the "Remuneration Committee Charter" in the board meeting on July 20, 2011. The duties of the Committee include:
Exercise the care of a good administrator, faithfully fulfill the following functions and powers, and submit the recommendations to the Board of Directors for deliberation. It shall also
 - (1) Establish a system of evaluation and regularly review the performance of the Directors, members of the Audit Committee, and managerial officers as well as remuneration policies, systems, standards, and structures.
 - (2) Periodically evaluate and establish standards for salaries and remuneration for Directors, members of the Audit Committee, and managerial officers.
3. According to regulations of the Company's "Organizational Regulations of the Remuneration Committee", the reasons for convening committee meetings must be specified in the meeting notice and the members of the Committee shall be notified at least seven days before the meeting. The notice may be issued electronically.
4. Term of the Remuneration Committee: From June 20, 2017, the term of the Remuneration Committee shall be the same as the current term of Directors. The Remuneration Committee convened 3 meetings (A) in 2019 and the attendance of the members is as follows:

Title	Name	Attendance in person B	Attendance by proxy	Actual attendance rate (%) B/A
Convener	Chih-Chen Chou	3	0	100%
Member	Cheng-En Ko	3	0	100%
Member	Tung-Sheng Hsu	3	0	100%

Other items that shall be recorded:

- I. If the board meeting does not adopt or revise the remuneration committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the Company handles the remuneration committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board committee is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): The Company's Directors have fully expressed their opinions in the meeting and they did not fail to adopt or revise the remuneration committee's proposals.
- II. If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all of the members, and treatment of the member's opinions must be disclosed in detail: Members of the Company's Remuneration Committee have fully expressed their opinions in the meeting and there were no records or written statements of dissenting or qualified opinions.

(VII) Key focuses and Operation of the Audit Committee for the year

1. Key focuses of the Audit Committee for the year:
 - (1) Financial statement audit and accounting policies and procedures.
 - (2) Evaluation of the effectiveness of internal control systems.
 - (3) Adoption or amendment of operating procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivative transactions, outward loans to others, and endorsements or guarantees to others.
 - (4) Significant assets or derivative transactions.

- (5) Significant outward loans to others and/or endorsements and guarantees to others.
- (6) Transactions of public offering or issuance of equity-type securities.
- (7) Transactions of derivative financial products.
- (8) Legal and regulatory compliance.
- (9) Evaluation of certifying CPAs.
- (10) Evaluation of CPA qualifications and their independence and performance.
- (11) Appointment and remuneration of CPAs.

2. The reasons for convening committee meetings must be specified in the meeting notice and the members of the Committee shall be notified at least seven days before the meeting. The notice may be issued electronically.
3. The Company's Audit Committee is composed of three members whose tenure began from June 20, 2017. The term of the Audit Committee is the same as the current term of Directors. The Audit Committee convened 7 meetings (A) in 2019.

The attendance of independent directors is described below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate % (B/A)
Independent Director	Chih-Chen Chou	7	0	100%
Independent Director	John-See Lee	7	0	100%
Independent Director	Tung-Sheng Hsu	7	0	100%

Other items that shall be recorded:

- I. None of the following conditions occurred in the operations of the Audit Committee:
 - (I) Items listed in Article 14-5 of the Securities and Exchange Act.
 - (II) Resolutions approved by two-thirds or more of all directors, but without the approval of the Audit Committee.
- II. When an independent director recuses himself/herself from proposals involving the conflict of interest, the independent director's name, the proposal, cause for the conflict of interest, and the voting shall be specified: The Company had no independent director who recused himself/herself from proposals involving the conflict of interest.
- III. Communications between independent directors and the head of internal audit division and CPAs (material items, methods and outcomes related to the Company's financial and business status shall be included): The head of internal audit provides audit reports to each independent director to review each month and reports the operations of audits in the Audit Committee meetings. In addition, independent directors review the Company's financial statements and communicates with CPAs through the telephone or face-to-face meetings each quarter.

4. Communication Between Independent Directors and Head of Internal Audit Office and CPAs:
 - (1) Communications between the Audit Committee and CPAs:

With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions in accordance with the Corporate Governance Best Practice Principles. The Company should establish channels and mechanisms of communication between the independent directors, the Audit Committee, and CPAs,

and incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company has established an Audit Committee comprising independent directors. The Audit Committee supervises the fair presentation of the Company's financial reports and the independence of CPAs for the purpose of improving operational efficiency and effectiveness and strengthening interactions with CPAs. The following regulatory matters are communicated:

A. Audit Planning:

In the audit planning phase, CPAs communicate applicable audit plans for the year, including quarterly audits for the year.

B. Audit Implementation:

CPAs report any material irregularity discovered in the audit implementation phase to members of the Audit Committee and discuss the various effects of such irregularity.

C. Audit Completion:

CPAs attend a post-audit meeting and work with the Audit Committee on the disclosure of material items in the report for the year.

D. CPAs meet up with members of the Audit Committee periodically or as needed, and keep in contact with the chairperson of the Audit Committee to discuss new special industry rules, products, and businesses.

With regards to the aforementioned regulatory matters communicated, the Company's Audit Committee and CPAs meet up regularly every year. At the Audit Committee meeting, CPAs discuss the audit/inspection status of the Group's financial reports and internal control inspection situations, and fully communicate any significant influence that major adjusting entries or regulatory amendments have on the Group.

(2) Records of communication between the Audit Committee and CPAs in 2019:

Date of Communication	Main Points of Communication
2019.01.04	<p>Written Communication:</p> <ol style="list-style-type: none">1. Matters communicated with the governance unit and the audit plan for the 2018 financial report.2. Communication Plan: Annual audit planning and annual audit results.3. Role, responsibilities, and independence of principal CPA.4. Audit plans and methods, scope and time, audit team members, and reporting schedule. <p>Suggestions and Results:</p> <p>The Audit Committee has been informed and has no other opinions.</p>
2019.03.25	<p>Verbal Communication:</p> <ol style="list-style-type: none">1. CPAs reported the 2018 company business performance and financial analysis.2. 2018 Audit Report: The type of audit report issued by CPAs, materiality for the current period, major audit items, material adjusting entries and unadjusted entries, related party transactions, significant accounting estimates, group financial report auditing, potential impact of major risks on consolidated financial report, fraudulent and non-compliance events, post-event matters, and customer declarations.

Date of Communication	Main Points of Communication
	<p>3. Verification of CPA independence.</p> <p>Suggestions and Results: The Audit Committee approved the financial report and presented it to the Board of Directors for approval, and announced and submitted it to the competent authority as scheduled.</p>
2019.05.10	<p>Verbal Communication:</p> <ol style="list-style-type: none"> CPAs participated in the discussion of Q1 2019 financial statements. CPAs communicated and discussed independent directors' inquiry. <p>Suggestions and Results: The Audit Committee approved the financial report and presented it to the Board of Directors for approval, and announced and submitted it to the competent authority as scheduled.</p>
2019.08.09	<p>Verbal Communication:</p> <ol style="list-style-type: none"> CPAs participated in the discussion of Q2 2019 financial statements. Reporting of major audit items for Q2 of 2019. <p>Suggestions and Results: The Audit Committee approved the financial report and presented it to the Board of Directors for approval, and announced and submitted it to the competent authority as scheduled.</p>
2019.11.12	<p>Verbal Communication:</p> <ol style="list-style-type: none"> CPAs participated in the discussion of Q3 2019 financial statements. CPAs communicated and discussed independent directors' inquiry. <p>Suggestions and Results: The Audit Committee approved the financial report and presented it to the Board of Directors for approval, and announced and submitted it to the competent authority as scheduled.</p>
2019.12.23	<p>Written Communication:</p> <ol style="list-style-type: none"> Matters communicated with the governance unit and the audit plan for the 2019 financial report. Communication Plan: Annual audit planning and annual audit results. Role and responsibilities of principal CPA. Audit plans and methods, scope and time, audit team members, and reporting schedule. Verification of CPA Independence. <p>Suggestions and Results: The Audit Committee has been informed and has no other opinions.</p>

5. Communications between the Audit Committee and Auditors

(1) Communication Policy for Audit Committee Members and Head of Audit Office

To improve operational efficiency and effectiveness and strengthen interactions among internal audit office, the Company's Audit Committee requires the head of internal audit office and independent directors to meet up regularly at least once every three months to present reports on the Company's internal audit implementation status and internal control operations.

The Audit Committee requires internal auditors to immediately inform independent directors of any significant irregularity discovered during the auditing process. With regards to significant contingency events of the Company or its subsidiaries, the Audit Office shall first notifies each director and independent director via email or SMS, and then submits a report to the Audit Committee to immediately inform the committee of the situation.

(2) Records of Communication between the Audit Committee and Head of Audit Office

Date of Communication	Main Points of Communication
2019.03.14	Communicated methods of auditing the "subsidiary supervision operations" to independent directors via telephone. In the discussion, the independent directors suggested that the subsidiary's governance operations should comply with local regulatory requirements while the powers of the subsidiary's governance unit should be respected. In addition, the effectiveness of subsidiaries' internal control schemes and implementation should be confirmed through a review, and on-site inspections should also be conducted as needed.
2019.03.29	Board of Directors and Audit Committee's Auditing Report: 1. Reported the implementation progress and status of audit plans. 2. Reported the implementation effectiveness of audit items in 2018. 3. Discussed and approved the 2018 "Internal Control System Statement". 4. The Audit Committee has no opinions on this report.
2019.05.10	Board of Directors and Audit Committee's Auditing Report: 1. Reported the implementation progress and status of audit plans. 2. Reported the 2018 corporate governance evaluation results. 3. The Audit Committee has no opinions on this report and the discussion items.
2019.08.13	Board of Directors and Audit Committee's Auditing Report: 1. Reported the implementation progress and status of audit plans. 2. The Audit Committee has no opinions on this report.
2019.11.12	Board of Directors and Audit Committee's Auditing Report: 1. Reported the implementation progress and status of audit plans. 2. Discussed and approved the 2020 audit plan. 3. The Audit Committee has no opinions on this report and the discussion items.

Date of Communication	Main Points of Communication
2019.12.06	Independent directors visited major subsidiaries and participated in a meeting to understand the company's unit operations. The audit office also reported on the status of the 2019 audit operations. Independent directors not only pointed out the importance of corporate governance to the company's management team but also required each units to work together and provide necessary support on audit activities.

(VIII) Implementation Status of Corporate Social Responsibility

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
I. Does the Company conduct risk assessment of environment, society, and corporate governance topics related to company operations, and establish applicable risk management policy or strategy in accordance with principles of materiality?	✓		The Company and its subsidiaries conduct risk assessment of environment, society, and corporate governance topics related to company operations, and establish corporate risk management system in accordance with principles of materiality. The purpose is to assess the frequency of risk events and the severity of impact of such events on business operation, to define risk control priority and risk level, and to adopt corresponding risk management strategy according to risk level (please refer to the applicable chapter in the annual report for more information).	None
II. Does the Company establish a designated unit to promote CSR, and has the Board authorized top management to be in charge and report to the Board pertaining to relevant implementations?	✓		Top managements, including the Human Resources Division, Investment Management Division, Spokesperson & Investor Relations Division, and General Affairs Division jointly established a designated unit to promote Corporate Social Responsibility. The spokesperson serves as the convener, convenes meetings at least once every quarter, and reports the status of implementation to the board of directors.	None
III. Topics related to environment (I) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(I) Because the Company is part of the PCB industry, we introduced ISO 14001 Environmental Management System, ISO 50001 Energy Resource Management System, etc. We implemented wastewater and sewage management system at production sites and we also established comprehensive exhaust gas management regulations and implemented waste management projects throughout the process to minimize the impact of wastewater, exhaust gas, and waste on the environment. In addition, the procurement departments conduct environmental protection and energy conservation evaluation when purchasing equipment to learn about water/electricity consumption and pollutant emissions.	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(II) Does the company strive to enhance the utilization rate of every resource and use renewable materials that have low impact on the environment?	✓		(II) The Company introduced innovative energy-saving technologies. It is committed to increasing the efficiency of the use of various resources and using renewable materials with lower impact on the environment. The resource recycling rate of waste in 2019 was 93.8%. Recycled pure copper amounted to 3,640 tons and we will soon introduce more other green circular economy projects such as reusing electrolyte and various chemical liquid.	None
(III) Does the company assess the current and future potential risks and opportunities of climate change for the company and take measures to address climate-related issues?	✓		(III) The company assessed the current and future potential risks and opportunities of climate change for the company and took the following measures to address climate-related issues: 1. Purchased, used, and setup preventive equipment; 2. Implementation of prevention plans; and 3. Modified product designs and manufacturing processes. (Please refer to the annual report for more information)	None
(IV) Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and establish energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management policies?	✓		(IV) The Company actively promoted a series of energy conservation and carbon emissions reduction measures to reduce greenhouse gas emissions: 1. The Company's production departments and other peripheral units have established energy and water conservation targets to "reduce consumption by 3% each year" based on actual water and electricity consumption. 2. The Company continues to implement ISO certification of its manufacturing sites each year to control the carbon emissions status more accurately. We establish reduction strategies based on business activities to respond to the impact of climate change on operations.	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
			<p>In addition, we continue to request our main suppliers to obtain environmental management system certification to create a green supply chain and promote environmental protection ideals.</p> <p>3. Zhen Ding was rated B in the 2019 CDP climate and water questionnaire, which was higher than the average score in Asia and the industry. We shall continue to advance green upgrade and reforms and accelerate our efforts on becoming a company dedicated to the circular economy and green development.</p> <p>(Please refer to the annual report for more information)</p>	
IV. Topics related to society				
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<p>(I) To fulfill corporate social responsibilities, the Company protects the basic human rights of employees, customers, and stakeholders by complying with the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UN Global Compact, the International Bill of Human Rights, and related regulations of the jurisdiction (or country) of the company, including freedom of association, caring for vulnerable groups, prohibiting the employment of children, preventing all forms of forced labor and workplace discrimination (please refer to the annual report for more information).</p>	None
(II) Does the company formulate and implement reasonable employee benefits measures (including compensation, leave, and other benefits), and appropriately reflect its business performance or achievement in employee compensation?	✓		<p>(II) The Company declared a reasonable salary compensation policy, and integrate the employee performance appraisal system with its corporate social responsibility policy. We also established an effective reward and disciplinary system, a performance evaluation system, and promotion and salary adjustment system for implementation. We appropriately reflected our business performance or achievement in employees' compensation.</p>	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Company promotes the 8S principles with the aim of providing employees with a clean environment. The Company carries out fire drills and access controls every six months to ensure employees' safety. In addition, the Company organizes annual health examination for employees and provide safety and health education for employees. Occupational safety units also review the work environment every month to provide employees with the safest environment for operations. There were no cases of occupational injuries in 2019.	None
(IV) Does the Company provide its employees with career development and training programs?	✓		(IV) Training programs include courses and online training course for improving leadership and business combat ability. The training model is divided into management ability, professional ability, overseas engagement, CMBA, language learning, and personal development plan to enhance the quality of employees and company competitiveness.	None
(V) Does the Company comply with applicable laws, regulations, and international guidelines in the customer health and safety, customer privacy, and marketing and labeling of products and services, and formulate applicable consumer protection policies and complaint procedures?	✓		(V) The Company takes responsibility for their products and services, and takes marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company ensures the transparency and safety of its products and services. It establishes and discloses policies for consumer rights and interests and enforces them in the course of business operations to prevent the products or services from adversely impacting the rights, interests, health, and safety of consumers.	None
(VII) Does the Company formulate supplier	✓		(VI) 1. Suppliers that conduct business transactions with the	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
management policies and request its suppliers to comply with applicable regulations regarding environmental protection, occupational safety and health or labor rights and to describe their implementation status?			<p>Company must sign the "Environmental and Social Responsibility Letter of Undertaking" to guarantee that the environmental management substances in products and parts supplied to the Company completely comply with regulations in environmental protection standards. We evaluate suppliers based on whether they have records of affecting the environment and society in the past and we request suppliers' cooperation in compliance with related regulations on environmental protection, safety, and health topics to jointly improve corporate social responsibility.</p> <p>2. The Company's contracts with primary suppliers contain immediate termination clause for cases where the supplier violates corporate social responsibility and poses significant impacts to the environment and the society.</p>	
V. Does the company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports and reports disclosing the company's non-financial information? Does the company obtain a third-party assurance or verification for such reports?	✓		The company's CSR report has obtained a limited assurance report issued by PricewaterhouseCoopers Taiwan on the selected subject matter information (limited by the conviction of the non-historical financial information check or review) in accordance with the Assurance Standard No. 1 of the Republic of China Accounting Research and Development Foundation, which is based on the International Standard on Assurance Engagement ISAE 3000.	None
VI. If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established the "Corporate Social Responsibility Best Practice Principles", formulated related policies, and regularly reviews results. There are no deviations between actual operations and the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies".				
VII. Other important information that facilitates a better understanding of the Company's CSR practices:				
(I) For information on the Company's systems and measures and implementation status with respect to environmental protection, community involvement, social contribution, social service, public interest, safety and health, and other social responsibility activities, please refer to				

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
the Company's website http://www.zdtco.com/index/index.asp and related content in the Annual Report. (II) The Company has received the following certifications: ISO9001, ISO14001, OHSAS18001, QC080000, ISO14064, IATF16949, and ISO50001.				

(IX) Implementation of Ethical Corporate Management

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs (I) Does the Company formulate ethical corporate management policies that have been approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board of Directors and top management to implementing policies?	✓		(I) The Company has actively discussed this topic with management team in the board meeting on June 21, 2019, and implemented the management policy. The Company has also declared its ethical corporate management policies and procedures in its rules, CSR Report, and external documents, and applied these policies and procedures to the Company's management.	None
(II) Does the company establish a mechanism for assessing the risk of unethical conduct, regularly analyze and evaluate business operations at a relatively high risk of unethical conduct, and accordingly formulate solutions to prevent unethical conducts, which covers at least preventive measures against conducts as indicated in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed	✓		(II) 1. The Company has established the "Ethical Corporate Management Operating Procedures and Code of Conduct" and the "Anti-Corruption Policies" on November 12, 2019, which regulate matters to which the Company's employees should pay attention when performing their duties, punishments for violations, and complaint systems, and stipulate that internal audits shall be implemented to reduce the probability of unethical conducts. 2. The Company has established a mechanism for assessing the risk of unethical conduct, regularly	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
Companies?			<p>analyzes and evaluates business operations at a relatively high risk of unethical conduct, and accordingly formulate unethical conduct prevention solutions and regularly review the appropriateness and effectiveness of such prevention plans.</p> <p>The prevention plans cover at least measures against the following conducts:</p> <ol style="list-style-type: none"> (1) Offering and accepting bribes. (2) Illegal political donations. (3) Improper charitable donations or sponsorship. (4) Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits. (5) Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. (6) Engaging in unfair competitive practices. (7) Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services. 	
(III) Does the Company have any measures against unethical conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? Does the company implement and regularly review and revise such measures?	✓		<p>(III) For business activities at relatively high risks of unethical conduct, the Company abides by the “Ethical Corporate Management Operating Procedures and Code of Conduct” and the “Anti-Corruption Policies”, evaluates the legal compliance and unethical conduct records of its agents, suppliers, customers, or other transaction counterparties before conducting business transactions to prevent transactions with companies that have records of unethical conduct, and regularly reviews and revises the aforementioned guideline and policies.</p>	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
II. Implementation of ethical management				
(I) Does the Company evaluate the integrity records of its business partners, and specify ethical-related clauses in business contracts?	✓		(I) The Company evaluates the legal compliance and unethical conduct records of its agents, suppliers, customers, or other transaction counterparties before conducting business transactions to prevent transactions with companies that have records of unethical conduct. When the Company signs contracts with other entities, the Company includes provisions requiring compliance to its ethical business policy and termination or cancellation of the contract at any time in the event of unethical conduct by the transaction counterparty.	None
(II) Does the Company establish a dedicated unit supervised by the Board, to be in charge of corporate integrity, report its integrity policy and unethical conduct prevention solutions as well as supervision implementation status to the Board of Directors on a regular basis?	✓		(II) The Company's Human Resources Division, Legal Affairs Division, Investment Management Division and other units jointly formed the "Ethical Corporate Management Work Group" to take charge of the establishment, supervision, and execution of ethical corporate management policies and prevention solutions. Once a year and on June 21, 2019, the Group has reported its ethical corporate management policies and unethical conduct prevention solutions as well as supervision implementation status to the Board of Director.	None
(III) Does the Company establish policies to prevent conflicts of interest, provided appropriate communication channels for filing related complaints and implemented the policies accordingly?	✓		(III) The Company's "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Anti-Corruption Policies" are used to monitor and manage risks possibly resulting from unethical conduct. The Company has provided appropriate communication channels for directors, managers, and other stakeholders to file related complaints and implemented the policies accordingly.	None
(IV) Has the Company implemented effective	✓		(IV) The Company established effective accounting and internal	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
accounting and internal control systems for the purpose of maintaining business integrity? Does the internal audit unit establish applicable audit plans based on the results of unethical conduct risk assessment, and use the plans to audit unethical conduct prevention solutions or engage a CPA to carry out the audit?			control systems to implement ethical management and conducts regular reviews to ensure that the design and execution of the system remain effective. Internal auditors produce audit reports based on the results of unethical conduct risk assessment and file audit reports to the Audit Committee and Board of Directors.	
(V) Does the Company regularly hold internal and external training on business integrity?	✓		(V) The Company has organized 2,035 related internal and external courses on ethical management (including ethical corporate management regulations, food safety and health management, accounting system, internal control system, and insider trading) in 2019 with more than 658,847 attendances in these courses.	None
III. Status for enforcing whistle-blowing systems in the Company				
(I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(I) According to the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct", a reward/punishment system with a convenient and independent mailbox and hotline was established. We have also appointed dedicated units and personnel to take charge of investigations.	None
(II) Has the Company implemented any standard operating procedures, post-investigation measures, or confidentiality measures for handling reported matters?	✓		(II) 1. According to the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct", it indicated the standard operating procedures for reported matters and the need to keep records of accepted cases, investigation process, investigation results, and related documents. 2. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and	None

Assessment Items	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(III) Has the Company provided proper whistleblower protection?	✓		<p>proposing corrective measures to prevent recurrence.</p> <p>3. The Company's dedicated unit shall submit to the board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.</p> <p>(III) The Company protects whistleblowers from inappropriate actions due to whistleblowing.</p>	None
IV. Enhancing information disclosure (I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	✓		<p>(I) The Company fully discloses corporate governance information such as financial information, stock prices and dividends, organizational structure, and the Company's results in operations in quarterly reports, annual reports, and the Company's website to truthfully reflect the performance of business operations and allow stakeholders to obtain information on the Company's operations in a timely manner.</p>	None
V. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe any discrepancy between the principles and their implementation: None				
VI. Other important information that facilitates a better understanding of the Company's ethical corporate management policies: (e.g., review and amend its policies): Please refer to the Company's website and Annual Report for related information.				

(X) More Detailed Information on Corporate Governance Guideline and Regulations:

The Company has disclosed the "Corporate Governance Best Practice Principles" and other related regulations on MOPS, the Company's website (<http://www.zdtco.com>), and the Annual Report.

(XI) Other Important Information that Facilitates a Better Understanding of the Company's Corporate Governance Activities: Please refer to the following information, the Company's website (<http://www.zdtco.com>), and related contents in the Annual Report.

1. Management's Profession Enhancement Status (i.e. Corporate Governance related Training)

Title	Name	Date	Host By	Course Title	Hours
General Manager	Ting-Chuan Lee	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Accounting Executive	Jin-Ten Chang	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours
Accounting Executive	Jin-Ten Chang	2019.05.24	Accounting Research and Development Foundation	FAQ and Practice of IFRS16 “Leasing”	3 hours
Accounting Executive	Jin-Ten Chang	2019.08.16	Accounting Research and Development Foundation	Discussion on the Applicability and Legal Liability of the “Business Judgment Rule” for Financial Crimes	3 hours
Accounting Executive	Jin-Ten Chang	2019.08.22	Accounting Research and Development Foundation	Strategic Methods for the Value Creation of Merger and Acquisition and Case Study Analysis	3 hours
Accounting Executive	Jin-Ten Chang	2019.11.27	Accounting Research and Development Foundation	The Status of the Latest International IFRS Developments and Discussion on Adopting Key IFRS Directions/Current Matters	3 hours
Spokesperson	Tun Ling	2019.11.12	Accounting Research and Development Foundation	Strategies for Encouraging Return of Funds by Taiwanese Investors & Tax Avoidance Trends and Response Measures	6 hours

2. Employees' Education and Training Status

A successful company must hire employees based on merit and it must also know how to cultivate talents. The Company upholds a people-oriented corporate philosophy and values each employee's value for growth to provide education based on their talents. We also actively establish diverse development and training programs for each employee to learn from different disciplines, make full use of their skills, and achieve their dreams to become the key for the Company's continued growth. The Company organized 2,035 courses totaling 1,963,398 training hours in 2019 with more than 658,847 attendances in the courses. Each employee took more than 58 hours of training in average and the total training expenditures amounted to NT\$25,217,773.

- (1) Training for New Employees: The Company arranges training courses on the Company's history, corporate culture, human resources policies, work safety, environmental protection knowledge, integrated management, and the SER policy to prepare employees for business development after they enter the Company.
- (2) Quality Management Training: To become a world-class and high-quality company, the Company implements various quality management policies and introduced comprehensive quality management training such as daily quality management, Seven Basic Tools of Quality, Eight Disciplines of Problem Solving (8D), SPC/CPK, FMEA 6 Sigma, and DOE.

- (3) Professional Skills Training: The Company provides all employees with professional skills training courses and appoints senior managers, technical experts, and professional companies to share their experience and systematically train talents necessary for the operations and development of the Company and improve the Company's competitive advantages.
- (4) Management Skills Training: The Company incorporates professional skills and concepts into the talent improvement plans for various managers and key talents. We also arrange training for corresponding management skills to assist managers in work and management.
- (5) Language Skills Training: The Company is committed to creating a diverse foreign language learning environment. We continue to cultivate international talents and strengthen employees' proficiency in multiple foreign languages to achieve seamless communication with the world.
- (6) Self-development Training:
To satisfy the Company's future development requirements, the Company plans various development and training courses such as academic education (on-the-job studies), book clubs, expanded training, and overseas or occupational rotations to allow employees to realize their potential and improve work performance.

The Company regularly announces work rules on its Intranet, so that employees can download and read through the rules themselves, understand that the company has a special spokesperson and information disclosure system, and promise to strictly abide by the such system. The employees can also understand that before the company publishes or discloses any business information according to law, if matters, which significantly impact shareholders' equity or securities prices, affect the order of securities transactions and violate securities laws and regulations, employees will be bear relevant civil, criminal, and contractual liabilities in accordance with law.

When new employees report for duty, they will be introduced to the company's Intranet and applicable links, including work rules and applicable regulations.

3. Policies and Specific Management Solutions for the Protection of Human Rights

- (1) The Company abides by the Responsible Business Alliance (RBA) Code of Conduct regarding various human rights regulations. Our Employee Handbook mandates a workplace environment characterized by freely chosen employment, no forced and compulsory labor, non-discrimination, and freedom of association. The Company further establishes the Humane Management Rules, Prohibition of Prison and Forced Labor Management Rules, and Employee Retention Management Operating System as its internal management goals.
- (2) To fulfill managerial requirements relating to protection of human rights, the Company sets up a Social and Environmental Responsibility (SER) Committee. The head of the Human Resource Division oversees departments involved in quality assurance systems, human resources, environmental engineering, general affairs, and occupational safety to collectively create a safe and healthy workplace where every employee's rights are respected and protected. The Company is also committed to achieving customers' yearly audit requirements.
- (3) SER policy training courses are organized for new employees and cover the following topics: Non-discrimination, prohibition of use of child labor and forced labor, working hours, voluntary overtime, salaries and benefits, freedom of association, industrial health, occupational safety, working environment, and management system, among others. These courses enable employees to fully understand the company's policies and awareness campaigns regarding the implementation of human rights protection.

4. Licenses held by personnel involved in the transparency of financial information (e.g. internal auditors and finance and accounting personnel):

Certification	Number of people
Certified Public Accountant of the Republic of China (CPA)	4
Certified Public Accountant of the United States (US CPA)	1
Certified Securities Investment Analyst (CSIA)	1
International Certified Internal Auditor (CIA)	4
International Certified Information Systems Auditor (CISA)	2

5. Employee Code of Conduct

The Company has established the "Employee Code of Conduct", "Code of Ethical Conduct", "Procedures for Handling Material Information", and related regulations for compliance by all employees in order to establish good conduct for employees, encourage compliance with ethical standards, and provide employees with a deeper understanding of the Company's moral standards. The "Employee Code of Conduct" is described as follows:

- (1) New employee guide: The guide allows new employees to quickly learn about the Company's environment and operations of related attendance systems after reporting for duties.
- (2) Employee Handbook: The Work Rules are specified in the Employee Handbook as well as the digital human resources platform for employees' reference and compliance to protect their rights and interests. The main chapters contain the following items:

Item	Description	Item	Description
A	Working hours, leaves, and holidays	J	Business travel
B	Extended unpaid leaves and reinstatement	K	Discharge, layoff, and resignation
C	Attendance management	L	Retirement
D	Salary	M	Occupational injuries, illnesses, and compensation
E	Overtime work	N	Industrial safety and sanitation
F	Rewards and penalties	O	Communication between labor and management
G	Performance evaluation	P	Sexual harassment prevention
H	Benefits	Q	Confidentiality regulations, etc.
I	Education and training		

- (3) Employment Agreement: The Agreement specifies terms the employee must abide by after negotiations between labor and management to protect the interests of both parties. The main terms are as follows

Item	Description	Item	Description
A	Terms of services	F	Information security
B	Intellectual property right ownership	G	Integrity and self-disciplinary clause
C	Non-infringement guarantee	H	Non-compete clause
D	Confidentiality	I	Avoidance of conflicts of interest, etc.
E	External communication		

6. Code of Ethical Conduct

Article 1 Purpose and basis for adoption

The Code is enacted in accordance with the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies" to establish good models of conduct for the Company for the compliance of ethical standards as well as to allow all stakeholders of the Company to gain a deeper understanding of the Company's ethical business conduct regulations and abide by them.

Article 2 The Code includes the follows eight items

(1) Prevention of conflicts of interest:

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company. As an example, when a director, supervisor, or managerial officer of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the Article 1 (Objective and scope of application) second degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving affiliated companies at which the aforementioned individuals work. The Company shall prevent conflicts of interest and provide suitable channels for Directors and managerial officers to explain any potential conflict of interest with the Company.

(2) Minimizing incentives to pursue personal gain:

The Company shall prevent Directors and managerial officers from taking the following actions:

- 1) Seeking an opportunity to pursue personal gain by using the Company property or information or taking advantage of their positions.
- 2) Obtaining personal gain by using company property or information or taking advantage of their positions;
- 3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the Directors and managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.

(3) Duty of confidentiality:

The Directors and managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

(4) Fair transactions:

Directors and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain

improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

(5) Protection and proper use of company assets:

All Directors and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.

(6) Legal compliance:

In addition to enhancing the internal staff's legal compliance to the Securities and Exchange Act and other regulations, the Company has established the "Business Ethical Conduct Principles" to regulate the conduct all employees of the Company.

(7) Encouraging reporting on illegal or unethical activities:

The Company shall raise awareness of ethics and encourage employees to report to the Board of Directors, managerial officer, chief internal auditor, or other appropriate individuals upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company has established a concrete whistle-blowing system and informed employees that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.

(8) Disciplinary measures:

When a Director or managerial officer violates the code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall disclose in time on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company also established a relevant complaint system to provide the violator with remedies.

Article 3

Procedures for exemption

The exemption of a Director or managerial officer of the Company from compliance with the Company's Code of Ethical Conduct shall require a resolution by the Board of Directors and the information on the date on which the Board of Directors adopted the resolution for exemption, the period of the exemption, Independent Directors' objections or qualified opinions, reasons for the exemption, and principles behind the application of the exemption shall be disclosed on MOPS within two days.

Article 4

Method of disclosure

The Code shall be disclosed on the Company's website, annual report, prospectus, and MOPS. The same shall apply to any revision.

Article 5 **Implementation**
The Code shall be delivered to the Audit Committee for discussion and submitted to the Board of Directors for approval before implementation. It shall also be submitted to the shareholders' meeting. The same shall apply to any revision.

7. Ethical Corporate Management Best Practice Principles

Article 1 **(Objective and scope of application)**
Zhen Ding Technology Holding Limited and all subsidiaries (hereinafter referred to as the Company) established the Principles to foster a corporate culture of ethical management and sound development.
This Principle is applicable to the business groups and organizations of the Company, which comprise its subsidiaries, any affiliate companies to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons that are substantially controlled by the Company ("business group").

Article 2 **(Prohibition on unethical conduct)**
When engaging in commercial activities, directors, managerial officers, employees of the Company, mandataries, or persons having substantial control over the Company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.

Article 3 **(Patterns of benefits)**
"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 **(Legal compliance)**
The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 **(Policies)**
The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism after receiving board approval to create an operational environment for sustainable development.

Article 6	(Prevention programs)
	The Company shall establish ethical management policies clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.
	When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its business group are operating.
	In the process of developing the prevention programs, the Company should negotiate with staffs, labour unions members, important trading counterparties, or other stakeholders.
Article 7	(Scope of prevention programs)
	When establishing the code of conduct, the Company shall develop a mechanism for assessing the risk of unethical conduct, regularly analyzes and evaluates business operations at a relatively high risk of unethical conduct, and accordingly formulate unethical conduct prevention solutions and regularly review the appropriateness and effectiveness of such prevention plans.
	Such prevention solutions shall give due consideration to standards or guidelines generally used in Taiwan and abroad and shall encompass at least the following measures:
	<ol style="list-style-type: none"> (1) Offering and accepting bribes. (2) Illegal political donations. (3) Improper charitable donations or sponsorship. (4) Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits. (5) Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. (6) Engaging in unfair competitive practices. (7) Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.
Article 8	(Guarantee and execution)
	The Company shall request its directors and management to issue statements of compliance with ethical corporate management policies, and incorporate employment conditions that require employees to abide by the ethical corporate management policies.
	The Company and its business group shall clearly specify in their rules, external documents, and the company website the ethical corporate management policies and the commitment by the Board of Directors and the management on the active implementation of such policies, and shall exercise the policies in internal management and in commercial activities.
	The Company shall produce the ethical corporate management policies, declarations, commitment, and implementation mentioned in the first and second paragraphs into documents and appropriately preserve these documents.

Article 9	(Ethical corporate management of commercial activities)
	The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.
	Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any transactions with persons so involved.
	When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.
Article 10	(Prohibition on offering and acceptance of bribes)
	When conducting business, the Company, Directors, managerial officers, employees, mandataries, and substantial controllers may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
Article 11	(Prohibition on illegal political donations)
	When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The Company, directors, managerial officers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
Article 12	(Prohibition on improper charitable donations or sponsorship)
	When making or offering charitable donations and sponsorship, the Company, directors, managerial officers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
Article 13	(Prohibition on unreasonable gifts, hospitality, or other improper benefits)
	The Company, directors, managerial officers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable gifts, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
Article 14	(Prohibition on infringement of intellectual property rights)
	The Company, directors, managerial officers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property; they may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
Article 15	(Prohibition on unfair competitive practices)
	The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or

divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16

(Prevention of damage to stakeholders by products or services)

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company, directors, managerial officers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, the products and services. It shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in its operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

Article 17

(Organization and responsibilities)

The Company's directors, managerial officers, employees, fiduciary, and substantial controllers shall exercise the due care of good administrators to urge the Company to prevent unethical conduct. They shall readily review the results of the preventive measures and continually make adjustments to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors, allocate sufficient resources and suitable personnel to the unit to be in charge of establishing and supervising the implementation of the ethical corporate management policies and prevention solutions. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):

- (1) Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- (2) Performing regular analysis and evaluation of business activities within the business scope which are possibly at a higher risk for unethical conduct, adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
- (3) Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- (4) Promoting and coordinating awareness and educational activities with respect to ethics policy.
- (5) Developing a whistleblowing system and ensuring its operating effectiveness.

(6) Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 (Legal compliance in business operations)
The Company's directors, managerial officers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 (Prevention of conflicts of interest)
The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.
When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managerial officers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. Directors shall practice self-discipline and must not support one another in improper dealings.
The Company's directors, managerial officers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 (Accounting and internal control)
The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.
The Company's internal audit unit shall establish applicable audit plans, which include the audit target, scope, items, and frequency, based on the results of unethical conduct risk assessment, and use the plans to audit unethical conduct prevention solutions. The unit may engage a CPA to carry out the audit, and may engage professionals to assist if necessary.
The audit results in the preceding paragraph shall be presented to top management and the dedicated ethical corporate management unit and shall be produced into an audit report for the Board of Directors.

Article 21 (Operating procedures and guidelines of conduct)
The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managerial officers,

employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

- (1) Standards regarding the determination of benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations.
- (2) Procedures for offering legitimate political donations.
- (3) Procedures and the standard rates for offering charitable donations or sponsorship.
- (4) Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- (5) Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- (6) Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
- (7) Handling procedures for violations of these Principles.
- (8) Disciplinary measures on offenders.

Article 22

(Education, training and evaluation)

The Chairman, President, or senior manager of the Company shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for directors, managerial officers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the Company's resolve for implementing ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23

(Whistleblowing system)

The Company shall adopt a concrete whistleblowing system and scrupulously operate the system. The whistleblowing system shall include at least the following:

- (1) An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
- (2) Dedicated personnel or unit appointed to handle whistle-blowing system. Any reported misconduct involving a director or top management shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
- (3) After the investigation of a reported case is completed, follow-up measures to be taken in accordance with the severity of the circumstances shall be reported to the competent authority or transferred to the judicial authority for investigation if necessary.

- (4) Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- (5) Confidentiality of the identity of whistleblowers and the content of reported cases, and anonymous reporting.
- (6) Measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistleblowing.
- (7) Whistleblowing incentive measures.

When material violations or concerns involving material damage to Company come to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in writing.

Article 24

(Disciplinary and complaint system)

The Company shall establish and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules. The Company shall make immediate disclosure on the company's internal website of the title and name of the culprit, the date and details of the violation, and the actions taken in response.

Articles 25

(Information disclosure)

The Company shall collect quantitative data about the promotion of ethical management and continuously analyse and assess the effectiveness of the promotion of ethical management policy. It shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on the Company's website, annual reports, and prospectuses, and shall disclose the ethical corporate management best practice principles on the Market Observation Post System.

Article 26

(Review and amendment of ethical corporate management policies measures)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage directors, managerial officers, and employees to make suggestions, based on which the adopted ethical corporate management policies will be reviewed and improved with a view to achieving better effectiveness of ethical management.

Article 27

(Implementation)

These Principles shall enter into force after it has been adopted by the board of directors, delivered to each independent director, and submitted to a shareholders meeting. The same procedures shall apply for future amendments.

When the Company submits the ethical corporate management best practice principles for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions and record objections and reservations in the minutes of the Board of Directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise,

and the opinion shall be specified in the minutes of the Board of Directors meeting.

8. Ethical Corporate Management Operating Procedures and Code of Conduct

Article 1 Objective and scope of application

The Company performs business activities based on the principles of fairness, integrity, accountability, and transparency. To implement ethical corporate management policy and actively prevent unethical conduct, the Company's Ethical Corporate Management Operating Procedures and Code of Conduct is established in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and relevant laws and regulations adopted in the place of business of the Company, its group enterprise, and organization to regulate matters that the personnel of the Company must pay attention to when performing business activities.

The scope of application of these Procedures and Code of Conduct includes the Company and its subsidiaries.

Article 2 Scope of application

For the purposes of these Procedures and Code of Conduct, the term "personnel of the Company" refers to any director, supervisor, functional committee member, managerial officer, employee, fiduciary or substantial controllers, of the Company and its subsidiaries.

Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3 Unethical conduct

For the purposes of these Procedures and Code of Conduct, the term "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.

Article 4 Types of benefits

For the purposes of these Procedures and Code of Conduct, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 5 Designated unit

The Company shall designate the Ethical Corporate Management Work Group as the solely responsible unit (hereinafter, "Designated Unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Code of Conduct, the recording and filing of reports, and the monitoring of implementation. The Designated Unit shall

be in charge of the following matters and also submit regular reports to the board of directors:

- (1) Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- (2) Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
- (3) Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- (4) Promoting and coordinating awareness and educational activities with respect to ethics policy.
- (5) Developing a whistleblowing system and ensuring its operating effectiveness.
- (6) Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 6

Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and these Procedures and Code of Conduct, and the relevant procedures shall have been carried out.

- (1) The conduct is in compliance with the laws and regulations of the location in which the Company is conducting business operations.
- (2) The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- (3) The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or for the development of relationships.
- (4) Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- (5) Attendance at traditional festival events that are open to and welcome the attendance of the general public.
- (6) Rewards, emergency assistance, condolence or consolation payments from the management.
- (7) Endowments received due to engagement, marriage, maternity,

relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative or endowments offered to or accepted from relatives or friends.

(8) Other circumstances that comply with the rules of the Company.

Article 7

Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

- (1) If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the Designated Unit shall be notified if necessary.
- (2) If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the Designated Unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

- (1) When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- (2) When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- (3) Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The Designated Unit of the Company shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved.

Article 8

Prohibition of and handling procedure for facilitating payments

The Company shall neither provide nor promise any facilitating payment. If any personnel of the Company provide or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the Designated Unit.

Upon receipt of the report under the preceding paragraph, the Designated Unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the unit shall also immediately report to the relevant judicial agency.

Article 9	Procedure for making political contributions
	The Company shall not make such donations in exchange for commercial gains or business advantages and shall comply with the following provisions when making political contributions:
	<ol style="list-style-type: none"> <li data-bbox="484 314 1449 415">(1) Political contributions should be verified for compliance with related laws from the recipient's country, including the upper limit and form of the political contribution. <li data-bbox="484 426 1278 460">(2) The resolution should be documented in official records. <li data-bbox="484 471 1449 550">(3) Political contributions should be recorded in the books in accordance with laws and relevant accounting procedures. <li data-bbox="484 561 1449 662">(4) When making a political contribution, avoid business dealings with related government agencies, apply for permits, or engage in other activities that may involve the Company's interests.
Article 10	Procedures for handling charitable donations or sponsorships
	Charitable donations or sponsorships provided by the Company may not be a disguised form of bribery and shall comply with the following provisions:
	<ol style="list-style-type: none"> <li data-bbox="484 842 1449 943">(1) Charitable donation or sponsorship is in compliance with the laws and regulations of the location in which the Company is conducting business operations. <li data-bbox="484 954 1278 988">(2) The resolution should be documented in official records. <li data-bbox="484 999 1449 1078">(3) A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery. <li data-bbox="484 1089 1449 1224">(4) The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest. <li data-bbox="484 1235 1449 1347">(5) After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.
Article 11	Avoidance of conflicting interests
	When a proposal at a given Board of Directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall exercise self-discipline and must not support one another in improper dealings.
	If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her direct supervisor and the Designated Unit of the Company, and the direct supervisor shall provide

	the personnel with proper instructions. No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.
Article 12	Unit in charge of confidentiality regime and its responsibilities The Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.
Article 13	Prohibition against disclosure of confidential information The personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which it has learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.
Article 14	Compliance with fair trade laws The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities.
Article 15	Prohibition against insider trading and non-disclosure agreement Company personnel shall comply with the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information which they may have been exposed to engage in insider trading. Company personnel are also prohibited from divulging such undisclosed information to any other party in order to prevent the use of such information to engage in insider trading. Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.
Article 16	Announcement of policy of ethical management to outside parties The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.
Article 17	Ethical management evaluation prior to development of commercial relationships

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

- (1) The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- (2) Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- (3) Whether enterprise's business operations are located in a country with a high risk of corruption.
- (4) Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- (5) The long-term business condition and degree of goodwill of the enterprise.
- (6) Consultation with the enterprise's business partners on their opinion of the enterprise.
- (7) Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18

Statement of ethical management policy to counterparties in commercial Dealings

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

Article 19

Avoidance of Unethical Business Parties

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20

Handling of Unethical Conduct by Personnel of the Company

- (1) The Company provides an incentive to insiders and outsiders for informing of unethical or unseemly conduct. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.

- (2) The Company shall internally establish and publicly announce an independent mailbox (zdt-audit@zdtco.com) and hotline (8863-3835678) for Company insiders and outsiders to submit reports. A whistleblower shall at least furnish the following information, otherwise, reports shall not be accepted for handling:
 - 1) The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached.
 - 2) The informed party's name or other information sufficient to distinguish its identifying features.
 - 3) Specific facts available for investigation.
- (3) Information shall be reported to the department head if involving general employees and to an independent director or Audit Committee if involving a director or a senior executive. When material violations or concerns involving material impairment to Company come to their awareness upon investigation, information shall be immediately prepared into a report and the independent directors or Audit Committee shall be informed in writing.
- (4) After the Dedicated Unit accepts and handles a report, it shall cooperate with the department head or unit being reported to in investigations conducted by the company's Audit Office and, where necessary, with the assistance of the other related department. Case acceptance, investigation processes and investigation results shall be prepared into written or electronic documents, which shall be retained for five years as of the acceptance of the case. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
- (5) If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will seek damages through legal proceedings to safeguard its reputation and its rights and interests.
- (6) With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
- (7) The Company's dedicated unit shall submit to the board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.
- (8) The Company shall keep the whistleblowers' identity and contents of information confidential and shall protect whistleblowers from inappropriate actions due to whistleblowing.

Article 21

Actions upon event of unethical conduct by others towards the Company
 If any personnel of the Company discover that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency

	or public official is involved, the Company shall additionally notify the governmental anti- corruption agency.
Article 22	<p>Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</p> <p>The Company shall link ethical management to employee performance evaluations and human resources policy. The Company's system for rewards, penalties, and complaints is as follows:</p> <ol style="list-style-type: none"> (1) If a report is verified to have indeed violated applicable laws and regulations or the Company's policy and regulations of ethical management, the Company will award the amount indemnified by the violator to the whistleblower based on the following percentage: <ol style="list-style-type: none"> 1) 2.0 percent, if the evidence provided by the whistleblower is helpful for the Company, judicial and relative competent authorities to start investigation. However, the amount shall not exceed NT\$ 500,000 (or foreign currency equivalent thereof). 2) 2.0 percent, if the evidence provided by the whistleblower can effectively prove the occurrence of unethical conduct without any further investigation by the Company, judicial and relative competent authorities. However, the amount shall not exceed NT\$ 1,000,000 (or foreign currency equivalent thereof). 3) A whistleblower shall be awarded only once for one case. (2) The award shall be split evenly among whistleblowers, if the evidence under paragraph 1 is provided under the following circumstances: <ol style="list-style-type: none"> 1) Such evidence is provided by plural whistleblowers at the same time. 2) Such evidences are provided by plural whistleblowers respectively, however, the content of which is the same. (3) The award shall not be granted to the whistleblower, or shall be returned if it was granted to the whistleblower already, provided that the whistleblower engages in one of the following conducts: <ol style="list-style-type: none"> 1) Directly or indirectly disclose the report before the Company or judicial authority discloses it. 2) Engage in or coerce others to engage in unethical conduct. 3) Provide evidence that is forged or altered. (4) If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. (5) The Company shall disclose on its Intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.
Article 23	<p>Enforcement</p> <p>These Procedures and Code of Conduct shall be effectuated upon approval of the Board of Directors. The same shall apply to any amendments to the Procedures.</p>

9. Procedures for Handling Material Inside Information

Article 1	Objective
	The Company enacted the Procedures to establish mechanisms for processing and disclosing material insider information and preventing inappropriate leaks of information for ensuring the consistency and accuracy of information disseminated by the Company to the outside world.
Article 2	Legal basis and reference procedures
	<ol style="list-style-type: none">(1) The Company's processing and disclosure of its internal material information shall be carried out in accordance with related laws, orders, regulations of the Taiwan Stock Exchange or Taipei Exchange, and the Procedures.(2) The Company's internal reference procedures:<ol style="list-style-type: none">1) Regulations Governing the Disclosure of Financial and Non-Financial Information2) Information Technology Division Operating Procedures3) Plant Crisis (Emergency) Incident Processing Procedures4) Crisis Management (Emergency Response) Information Table
Article 3	Scope of application
	<ol style="list-style-type: none">(1) These Procedures shall apply to the following individuals:<ol style="list-style-type: none">1) All directors, supervisors, managerial officers, and employees of the Company.2) Individuals who acquire knowledge of the Company's material inside information due to their position, profession, or relationship of control.(2) The Company shall ensure that such individuals comply with related regulations in the Procedures.
Article 4	Scope of material inside information
	<ol style="list-style-type: none">(1) The scope of material inside information specified herein shall be defined by the Company's units responsible for processing material inside information.(2) The scope of material inside information is as follows:<ol style="list-style-type: none">1) Material inside information specified in the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.2) For the purposes of these Procedures, the term "Material inside information" refers to information that, with reference to the Securities and Exchange Act, other applicable laws and regulations, and the applicable rules and regulations of Taiwan Stock Exchange Corporation.3) Knowledge and documents regarding R&D, process, technology, management, and other trade secrets.
Article 5	Designated unit
	The Company shall establish a unit charged with handling material inside information. The responsible unit shall be composed of an adequate

number of competent members including managers for legal affairs, finance, accounting, information technology, Secretariat of the Board, public relations, and spokesperson based on the size, business conditions, and management needs of the Company. The unit shall have the following functions and authorities:

- (1) Responsibility for formulating the drafts of these Procedures and any amendments to them.
- (2) Responsibility for receiving inquiries in connection with the methods of handling material inside information, and for consultation, review, and recommendations relating to these Procedures.
- (3) Responsibility for designing a system for preserving all documents, files, electronic records, and other materials related to these Procedures.
- (4) Other activities related to these Procedures.

Article 6

Confidentiality firewall operations - Personnel

- (1) Individuals applicable to the Procedures shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties.
- (2) Individuals applicable to the Procedures may not divulge material inside information of the Company to others.
- (3) Individuals applicable to the Procedures may not inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware of for reasons other than the performance of their duties.

Article 7

Confidentiality firewall operations - Information

- (1) Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures.
- (2) Files and documents containing the Company's material inside information shall be backed up and stored in a secure location.

Article 8

Operation of confidentiality firewalls

The Company shall ensure that the firewalls specified in the preceding two articles are established, and take the following additional steps:

- (1) Adopt adequate control measures for the firewalls and perform periodic testing.
- (2) Enhance measures for custody and maintaining the secrecy of files and documents containing non-public material inside information of the Company.

Article 9

Confidentiality obligations of outside organizations and persons

Any organization or person outside of the Company that is involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business

partnership plans, or the signing of a major contract shall be required to sign a confidentiality agreement, and may not disclose to another party any material inside information of the Company thus acquired.

Article 10

Principles for disclosure

The Company shall comply with the following principles when making external disclosures of material inside information:

- (1) The information disclosure shall be accurate, consistent, complete and prompt.
- (2) The information disclosure shall be based on facts.
- (3) The information shall be fairly disclosed.

Article 11

Implementation of the spokesperson system

- (1) Any disclosure of the Company's material inside information, except as otherwise provided by law or regulation, shall be made by the Company's spokesperson, or by a deputy spokesperson acting in such capacity in a confirmed sequential order. Other individuals may not disclose information to outside parties. This restriction does not apply to special and temporary assignments. When necessary, the disclosure may be made directly by a responsible person of the Company.
- (2) The Company's spokesperson or deputy spokesperson shall communicate to outside parties only information within the scope authorized by the Company, and no personnel of the Company other than those serving as the Company's responsible person, spokesperson, or deputy spokesperson may disclose any material inside information of the Company to outside parties without authorization.

Article 12

Record of disclosure of material inside information

The Company shall keep records of the following in respect of any disclosure of information to outside parties:

- (1) The person who discloses the information, the date, the time, and the recipient of the information.
- (2) The approach to disclose the information.
- (3) The disclosed content of information.
- (4) The content of the written information delivered.
- (5) Any other relevant details.

Article 13

Response to false media coverage

If a media agency releases information that is in any respect inconsistent with material information disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.

Article 14

Reporting of unusual events

- (1) Any director, supervisor, managerial officer, or employee of the Company that becomes aware of any unauthorized disclosure of the Company's material inside information shall report to the responsible unit and the internal audit department of the Company as soon as practicable.
- (2) Upon receipt of a report made pursuant to the preceding paragraph,

the responsible unit shall formulate corresponding measures. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures, and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.

Article 15	<p>Disciplinary measures</p> <p>The Company shall take measures to discover those responsible and take appropriate legal action against any personnel under either of the following circumstances:</p> <ul style="list-style-type: none">(1) Personnel of the Company disclose material inside information without authorization to any outside party, or otherwise violate these Procedures or any other applicable law or regulations.(2) A spokesperson or deputy spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company, or otherwise violates these Procedures or any other applicable law or regulations.(3) Any person outside the Company that divulges material inside information of the Company and causes damage to the rights and interests of the Company.
Article 16	<p>Internal controls</p> <p>These Procedures shall be incorporated into the Company's internal control system. The internal auditors shall keep themselves regularly informed of the status of compliance with these Procedures and shall prepare related audit reports to ensure full implementation of the procedures for handling material inside information.</p>
Article 17	<p>Awareness campaigns</p> <p>The Company shall conduct educational campaigns to promote awareness among all directors, supervisors, managerial officers, and employees with respect to these Procedures and related laws and regulations.</p>
Article 18	<p>These Procedures shall be implemented after approval by the Board of Directors. The same shall apply to all amendments.</p>

10. Corporate Governance Best Practice Principles

Chapter 1	<p>General Provisions</p>
Article 1	<p>The Company enacted the Company's Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies jointly established by Taiwan Stock Exchange Corporation (hereinafter referred to as TWSE) and Taipei Exchange (hereinafter referred to as TPEx) to establish an effective corporate governance framework and promote sound development of the securities market. The Principles are disclosed on the Market Observation Post System (MOPS).</p>
Article 2	<p>The Company has established a corporate governance system. In addition to compliance with regulations, the Articles of Incorporation, contracts signed with TWSE, and related regulations, corporate governance shall be implemented based on the following principles:</p> <ul style="list-style-type: none">(1) Protect the rights and interests of shareholders.

	<ul style="list-style-type: none"> (2) Strengthen the function of the board of directors. (3) Fulfill the function of supervisors. (4) Respect the rights and interests of stakeholders. (5) Enhance information transparency.
Article 3	<p>The Company shall follow the Regulations Governing Establishment of Internal Control Systems by Public Companies and take the overall operational activities of itself and its subsidiaries into account to design and fully implement an internal control system, and shall conduct continuing reviews of the system in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.</p> <p>Unless approved by the competent authorities, the establishment or amendment of the internal control system shall be submitted to the Board of Directors for resolution and approval. If an Independent Director has dissenting or qualified opinions, they shall be specified in the meeting minutes of the Board of Directors. The amendment shall be approved with the consent of one-half or more of the entire membership of the Audit Committee and proposed to the Board of Directors meeting for a resolution.</p> <p>The Company shall perform self-assessments of the internal control system. The Board of Directors and management shall review the results of self-assessments performed by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise these matters.</p> <p>The Company is advised to establish channels and mechanisms of communication between its independent directors, the Audit Committee, and chief internal auditors.</p> <p>The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management to perform their duties effectively to ensure a sound corporate governance system.</p> <p>TWSE/TPEx-listed companies are encouraged to submit the appointment, evaluation and remuneration of internal auditors to the board of directors for approval, or require the report of the chief auditor and the approval of the chairman.</p>
Article 3-1	<p>The Company shall set up full-time (or part-time) units or personnel for matters related to corporate governance, and senior executives for supervision, whose work experience in the legal, financial or stock management field in a public offering company is more than three years or they are qualified as a lawyer or an accountant.</p> <p>The relevant affairs of corporate governance in the preceding company should at least include the following:</p> <ul style="list-style-type: none"> (1) Company registration and change registration. (2) Handle matters relating to board meetings and shareholders meetings according to laws, and assist the Company with compliance with laws and regulations governing such meetings.

	<ul style="list-style-type: none"> (3) Produce meeting minutes for the meetings of the Board of Directors and shareholders' meetings. (4) Provide directors (including independent directors) with the information required for the execution of businesses and the latest regulatory development for the operations of the Company to help directors (including independent directors) with regulatory compliance. (5) Matters related to investor relations. (6) Other matters set forth in the Company's Articles of Incorporation or contracts.
Chapter 2	Protection of Shareholders' Rights and Interests
Section 1	Encouraging Shareholders to Participate in Corporate Governance
Article 4	<p>The corporate governance system of the Company shall protect shareholders' rights and interests and treat all shareholders equitably. The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.</p>
Article 5	<p>The Company shall convene shareholders' meetings in accordance with the Company Act and relevant local laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders' meetings in accordance with the rules for the meetings.</p> <p>Resolutions adopted by shareholders meetings of the Company shall comply with laws, regulations and articles of incorporation.</p>
Article 6	<p>The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholders' nominations of directors and members of the Audit Committee and submissions of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable employees assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.</p> <p>For a shareholders' meeting called by the Board of Directors, it is advisable that the chairman hold the meeting, that a majority of the directors and at least one supervisor attend in person, and that at least one member of each functional committee attends as representative. Attendance details should be recorded in the shareholders' meeting minutes.</p>
Article 7	<p>The Company shall encourage shareholders to participate in corporate governance, and shall appoint a professional stock agency to handle the affairs of the shareholders meeting to ensure it is convened under legal, effective and safe premises. The Company shall use various methods, including utilizing technically advanced information disclosure and voting methods, and submit meeting notice, meeting handbook and</p>

supplement materials in both Chinese and English to improve the attendance rate of shareholders to the shareholders meetings. This also ensures that shareholders can implement their rights at the shareholder meetings according to law.

When the Company adopts electronic voting at the shareholders meeting, it should avoid revision of the provisional motion and the original motion on the day of the shareholders' meeting. The Company shall adopt a candidate nomination system for the election of directors (including independent directors) if an election is organized in the current year.

The Company shall allow shareholders to vote on each separate proposal in the shareholders meeting agenda, and following the conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System.

If the Company distributes souvenirs at its shareholders' meeting, it shall not practice differential treatment or discrimination.

Article 8

The Company shall keep a record of shareholder meetings according to the Company Act and relevant local regulations. If there are no objections from shareholders for a proposal, a "proposal passed with no objections from attending shareholders after the chair's inquiry" shall be noted. If there are objections from shareholders toward a proposal and the proposal was put to a vote, the decision method and result shall be clearly noted. For elections of director and independent directors, the voting method and the number of votes that each elected director and supervisor received shall be clearly noted.

Article 9

The chairperson of the shareholders' meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders' meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

To protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of the Rules and Procedures of Shareholders Meeting, it is advisable for the members of the Board of Directors other than the chairperson of the shareholders' meeting to promptly assist the attending shareholders at the shareholders' meeting in electing a new chairman of the shareholders' meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

The Company shall place high importance on the shareholder's right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders regular and timely information on the Company's financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the

	Company's insiders from trading securities using information not disclosed to the market.
Article 11	<p>Shareholders shall be entitled to profit distributions by the Company. To protect the investment rights of shareholders, the shareholder meetings may, pursuant to the regulations of the place the Company is listed, examine the records and books prepared and submitted by the Board of Directors and the reports and decide profit distributions and loss makeup plans by resolution. To proceed with the above examination, the shareholders' meeting may appoint an inspector.</p> <p>The shareholders may, pursuant to the regulations of the place the Company is listed, apply with the court to select an inspector in examining the accounting records and assets of the company.</p> <p>The Board of Directors, Audit Committee, and managerial officers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection or circumvention.</p>
Article 12	<p>In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting to protect the interests of the shareholders.</p> <p>When the Company is engaged in a merger or public acquisition, it shall comply with related laws and regulations and pay attention to the fairness and reasonableness of the merger or public acquisition plan and transaction. It shall also pay attention to information disclosure and the comprehensiveness of the Company's financial structure after the merger or acquisition.</p>
Article 13	<p>To protect the rights of shareholders, the Company has assigned dedicated personnel to respond appropriately to suggestions, questions and complaints raised by shareholders. The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholders' rights and interests were damaged by a resolution adopted at a shareholders' meeting or a Board of Director meeting in violation of applicable laws, regulations, or the Company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's articles of incorporation by any directors, supervisors or managers in performing their duties.</p> <p>The Company should adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, keep relevant written records for future reference, and incorporate the procedures in its internal control system for management purposes.</p>
Section 2	Establishing a Mechanism for Interaction with Shareholders
Article 13-1	The Board of Directors of the Company is responsible for establishing an interaction mechanism with the shareholders to enhance the mutual understandings of the Company's development objectives.
Article 13-2	In addition to communicating with shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings,

	the Board of Directors of the Company together with managers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound the Company's policies explicitly, in order to gain shareholders' support.
Section 3	Corporate Governance Relationships between the Company and Its Affiliated Enterprises
Article 14	The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.
Article 15	Unless otherwise provided by the law and regulations, a managerial officer of the Company may not serve as a managerial officer of its affiliated enterprises. A Director who engages in any transaction for himself or on behalf of another person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders' meeting and obtain its consent.
Article 16	The Company shall establish sound objectives and systems for the management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks, customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.
Article 17	<p>When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.</p> <p>All transactions or contracts made by and between the Company and its related parties and shareholders shall follow the principles set forth in the preceding paragraph, and improper channelling of profits is strictly prohibited.</p>
Article 18	<p>A corporate shareholder having controlling power over the Company shall comply with the following provisions:</p> <ol style="list-style-type: none"> (1) They are bound by the principle of good faith in their relations with other shareholders and they may not directly or indirectly influence the Company to engage in irregular practices or other unprofitable businesses. (2) The representatives shall abide by the Company's related regulations for the exercise of rights and participation in resolutions. When participating in shareholders' meetings, they shall exercise their voting rights based on the principle of good faith and maximize benefits for all shareholders. They shall also perform fiduciary duties as directors and independent directors. (3) The nomination of the Company's directors and independent directors shall proceed in accordance with related regulations and the Company's Articles of Incorporation. They may not exceed the

	scope of authority of the shareholders' meeting or the Board of Directors.
(4)	They may not Intervene with the Company's decisions or business activities in an improper manner.
(5)	They may not obstruct the Company's business activities through unfair means of competition such as monopolized procurement or closed distribution.
(6)	A representative designated when a corporate shareholder has been elected as a director or independent director shall fulfill the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is considered inappropriate.
Article 19	<p>The Company shall retain at any time a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.</p> <p>The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.</p> <p>The primary shareholder stated in item one refers to shareholders who hold over 5% of company stocks or the top 10 shareholders with the most company stocks. However, the Company can set a lower stock ratio based on actual company controlling stock.</p>
Chapter 3	Strengthening the Function of Board Meetings
Section 1	Board Meeting Structure
Article 20	<p>The Company's Board of Directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, the Articles of Incorporation, and the resolutions adopted by the shareholder meetings.</p> <p>The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of Board members, not less than seven and no more than nine, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.</p> <p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs to be formulated and include, without being limited to, the following two general standards:</p> <ol style="list-style-type: none"> (1) Basic qualifications and values: gender, age, nationality, culture, etc. (2) Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- (1) Judgment capabilities on company operation.
- (2) Accounting and financial analysis capabilities.
- (3) Business management skills.
- (4) Crisis management skills.
- (5) Industrial knowledge.
- (6) An understanding of international markets.
- (7) Leadership skills.
- (8) Decision-making capabilities.

Article 21

The Company shall uphold the principles of protection of shareholder rights and interests and equitable treatment of shareholders. It shall establish fair, just and open procedures for the election of directors, encourage shareholder participation, and adopt a cumulative voting system to fully reflect shareholders' opinions.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the Directors of the Company.

If the dismissal of a Director results in a board with less than five Directors, the Company shall hold a supplemental election at the next shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the Company shall convene an extraordinary shareholders' meeting within 60 days of the occurrence of that fact for a by-election for Director(s).

The aggregate shareholding percentage of all directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22

Before a shareholders' meeting is convened for the re-election of directors, the Company shall review in advance the qualifications, education, work experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and the Company shall not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to shareholders for their reference, so that qualified Directors will be elected.

The Board of Directors shall, in accordance with the provisions, carefully evaluate the qualifications listed in the preceding paragraph and other matters and the candidate's willingness to serve as a Director once elected after the election before listing the list of the candidates.

Article 23

Clear distinctions shall be drawn between the responsibilities and duties of the Chairman of the board of the Company and those of its President.

It is inappropriate for the Chairman to also act as the President. If the Chairman also acts as the President or the Chairman and the President are spouses or relatives within the first degree of kinship, the Company should increase the number of independent directors.

If the Company sets up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

Section 2

Article 24

The Company shall appoint independent directors in accordance with the Articles of Incorporation. They shall be not less than three in number and not less than one-fifth of the total number of directors. Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including an independent director) or supervisor of more than five other TWSE/TPEx-listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

The election of independent directors shall be conducted based on a candidate nomination system in accordance with the regulations of the Company's place of listing and the Articles of Incorporation. Shareholders shall elect independent directors from the list of candidates for independent directors. Independent directors and non-independent directors shall be elected concurrently in accordance with the regulations of the place of the Company's listing and the seats shall be calculated separately.

Change of status between independent directors and non-independent directors during their tenure is prohibited.

If an independent director is discharged for any reason and causes the number of directors to be lower than that required under paragraph 1 or the Articles of Incorporation, a by-election for an independent director shall be held at the next shareholders' meeting. In the event that all independent directors have been discharged, the Company shall convene an extraordinary shareholders' meeting to hold a by-election within 60 days from the date on which the vacancies arose.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the regulations of the Taiwan Stock Exchange.

Article 25

The Company shall submit the following matters to the Board of Directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the Board of Director meeting:

- (1) Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.

	<ul style="list-style-type: none"> (2) Establishment or amendment of the asset acquisition/disposal procedures, derivative trading procedures, lending procedures, endorsement and guarantee procedures, and other procedures involving major financial consequences according to Article 36-1 of the Securities and Exchange Act. (3) Matters concerning the personal interests of directors or independent directors. (4) Material asset or derivatives transactions. (5) Material loaning of funds, making of endorsements or provision of guarantees. (6) Offering, issuance, or private placement of any equity-type securities. (7) Appointment, dismissal and compensation of CPAs. (8) Appointments and dismissal of finance, accounting and internal audit managers. (9) Other material changes regulated by the competent authorities.
Article 26	<p>The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or board members shall not limit or obstruct independent directors in the execution of their duties.</p> <p>The Company shall determine the remuneration of directors in the Articles of Incorporation or resolutions of the shareholders' meeting and it may establish a separate but reasonable set of remuneration rules for independent directors.</p> <p>The Company shall stipulate the remuneration of the directors in the Articles of Incorporation, which shall fully reflect individual performance and long-term operation performance of the Company, and the risk of the Company's operation shall be taken into consideration. It may establish a separate but reasonable set of remuneration rules for independent directors.</p> <p>Under the Articles of Incorporation of the Company, the resolution of the shareholders' meeting, or by order of competent authorities, if any special surplus reserves are to be drawn, such allocation shall be made after the allocation of legal surplus reserves and before the distribution of remuneration of the directors and supervisors and employee bonuses, and the Articles of Incorporation shall specify the method for profit distribution to be adopted when the reversal of the special surplus reserves are included in the undistributed earnings.</p>
Section 3	Audit Committee and Other Functional Committees
Article 27	For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the Company's scale and type of operations and the number of its Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the Articles of Incorporation.

Functional committees shall be responsible to the Board of Directors, and submit their proposals to the board for voting.

Functional committees shall set organization regulations to be passed by the Board of director resolution. The organizational charter shall contain the number, tenure, and powers of the committee members as well as the meeting rules and resources to be provided by the Company for the exercise of power by the committee.

Article 28

The Company established an Audit Committee.

The Audit Committee shall be composed of all independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

If the Company set up an Audit Committee, the regulations on supervisors of the place of the Company's listing shall apply mutatis mutandis to the Audit Committee. The follows items must be approved by at least one-half of all members of the Audit Committee and submitted to the Board of Directors for resolution. Article 39 of the Principles shall not be applicable:

- (1) Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of internal control systems.
- (3) Establishment or amendment of the asset acquisition/disposal procedures, derivative trading procedures, lending procedures, endorsement and guarantee procedures, and other procedures involving major financial consequences according to Article 36-1 of the Securities and Exchange Act.
- (4) Matters concerning the personal interests of Directors.
- (5) Material asset or derivatives transactions.
- (6) Material loaning of funds, making of endorsements or provision of guarantees.
- (7) Offering, issuance, or private placement of any equity-type securities.
- (8) Appointment, dismissal and compensation of CPAs.
- (9) Appointments and dismissal of finance, accounting and internal audit managers.
- (10) Annual and semi-annual financial reports.
- (11) Other material items required by other companies or competent authorities

The exercise of power by the Audit Committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and regulations of Taiwan Stock Exchange.

Article 28-1

The Company established the Remuneration Committee.

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following function and power and submit suggestions to the Board of Directors for discussion. However, suggestions for the remuneration of independent directors may be

submitted for deliberation by the Board of Directors only when the Board of Directors is expressly authorized to handle the independent directors' remuneration in the Company's Articles of Incorporation or by a resolution of the shareholders' meeting:

- (1) Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors, independent directors and managerial officers.
- (2) Periodically evaluate and establish remuneration and benefits for directors, independent directors, and managerial officers.

The Remuneration Committee shall fulfill the aforementioned function and power in accordance with the following principles:

- (1) Performance appraisal and remuneration of directors, independent directors, and managerial officers shall be based on the prevailing rates of the industry as well as their individual performance, the Company's overall performance, and reasonable assessments of future risks.
- (2) There shall be no incentive for directors or managerial officers to pursue remuneration by engaging in activities that exceed the tolerable risk level of the Company.
- (3) The percentage of bonus to be distributed to directors and senior managerial officers based on their short-term performance and the time for payment of any variable remuneration shall be determined by the characteristics of the industry and the nature of the Company's business.

The exercise of power by the Remuneration Committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, 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, and regulations of TWSE.

Article 28-2 The Company is advised to establish an announce channels for internal and external whistleblowers and establish whistleblower protection mechanisms. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

Article 29 To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed in accordance with the schedule of the principal accounting officer.

Related accounting personnel that participate in the formulation of accounting reports shall also take at least 6 hours of professional courses each year. The continuing studies may attend the Company's internal education and training courses or professional accounting supervisor courses offered by institutions.

The Company shall select a professional, responsible, and independent CPA to perform regular reviews of financial conditions and internal

control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. The Company should establish channels and mechanisms of communication between the independent directors, the Audit Committee, and CPA, and incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly (at least once every year). In the event that the Company engages the same CPA without replacement for seven consecutive years, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 30 The Company should engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the Board of Directors, independent directors, and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, independent directors, or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or an independent director may retain a legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation services on matters in relation to the exercise of their power, at the expense of the Company.

Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making Procedures

Article 31 The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purpose of the meeting shall be sent to each director and independent director no later than seven days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. Directors have the right to request supplemental information or postpone certain agendas if they consider the information presented to them to be inadequate.

The Company shall set board meeting procedure specifications. The main procedure content, work procedures, items that should be recorded in the meeting records, public notifications, and other items to be followed should be according to the Regulations Governing Procedure for Board of Director Meetings of Public Companies.

Article 32 Directors of the Company shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board of director meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice

the interests of the Company, the director shall not participate in any discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director shall also not act as another director's proxy to exercise the voting right on that matter. Directors shall maintain discipline among one another and not inappropriately support one another.

Items that directors must excuse themselves from shall be clearly stated in the board meeting procedure specifications.

Article 33

Independent directors shall attend in person any meeting of the Board of Directors, with respect to matters prescribed in Article 14-3 of the Act that shall be proposed to the Board of Directors. They shall not appoint another non-independent director to attend the meeting as a proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of director meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she shall provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board meeting.

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and publicly announced and filed in the MOPS two hours before the beginning of trading hours on the first business day after the date of the board of director meeting:

- (1) An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
- (2) Items that have not been approved by the Audit Committee shall require the approval of more than two-thirds of all directors.

During a board meeting, the Company may, based on the content of the agenda, notify managers of relevant departments who are not board members to attend the meeting as non-voting participants to report the Company's current business status and answer directors' questions. Certified public accountants, lawyers, or other professionals may also be invited to participate in board meetings where necessary to help directors understand situations and make decisions accordingly but they shall leave the meeting during discussions and votes.

Article 34

The Company's staff attending board meetings shall collect and correctly record detailed meeting minutes, as well as a summary, the method of resolution, and the voting results of all the proposals submitted during the board meeting in accordance with relevant regulations.

The meeting minutes shall be signed or sealed by the chair and the minute taker and issued to all directors within 20 days after the meeting. The attendance log constitutes part of the board meeting minutes and shall be listed as key files of the Company and retained as such over the Company's existence.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a Board of Directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a Board of Directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the Board of Directors violates laws, regulations, the Articles of Incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

The Company shall submit the following matters to its Board of Directors for discussion:

- (1) Corporate business plans.
- (2) Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited or attested by a CPA.
- (3) Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (4) Establishment or amendment of the asset acquisition/disposal procedures, derivative trading procedures, lending procedures, endorsement and guarantee procedures, and other procedures involving major financial consequences according to Article 36-1 of the Securities and Exchange Act.
- (5) Offering, issuance, or private placement of any equity-type securities.
- (6) Performance assessment and the standard of remuneration of the managerial officers.
- (7) Structure and system for the remuneration of directors.
- (8) Appointments and dismissal of finance, accounting and internal audit managers.
- (9) Donations to related parties or major donations to non-related parties. However, in the event of a major natural disaster, emergency aids of charitable nature can be made first and ratified in the next board meeting.
- (10) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or by law to be approved by resolution at a shareholders meeting or to be submitted to a meeting of the Board of Directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

	The Company shall report meeting minutes and discussion on internal system defects to the Board of Directors.
Article 36	<p>The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up those matters and faithfully review their implementation.</p> <p>The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board's management decisions.</p>
Section 5	Fiduciary Duty, Duty of Care and Responsibility of Directors
Article 37	<p>Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by the law or the articles of incorporation for approval in shareholders' meetings, they shall ensure that all matters are handled according to the resolutions of the Board of Directors.</p> <p>Any resolution of the Board of Directors that involves the Company's business development or a major policy direction shall be carefully considered and shall not affect the implementation or effectiveness of corporate governance.</p> <p>Independent directors shall carry out their duties according to relevant regulations and company policies to protect the rights and interests of the Company and shareholders.</p>
Article 38	<p>If a resolution of the Board of Directors violates laws, regulations or the Company's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of an independent director to discontinue the implementation of the resolution, members of the Board of Directors shall take appropriate measures or discontinue the implementation of such a resolution as soon as possible.</p> <p>Upon discovering a likelihood that the Company would suffer material damage, members of the Board of Directors shall immediately report to the Audit Committee or the independent director members of the Audit Committee in accordance with the foregoing paragraph.</p>
Article 39	<p>According to Articles of Incorporation or a resolution of the shareholders' meeting, the Company shall buy liability insurance according to the scope of directors' liabilities they are legally responsible for during their tenure's business implementations. The objective is to lower and distribute the risk of major damages caused to the Company and shareholders as a result of directors' error or negligence.</p> <p>The Company is advised to report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has purchased or renewed for directors at the next board meeting.</p>
Article 40	Members of the Board of Directors are advised to participate in training courses on finance, business, commerce, accounting, or law offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies, which cover subjects relating to corporate

	governance upon becoming directors and throughout their tenure. They shall also ensure that employees at all levels enhance their professionalism and knowledge of the law.
Chapter 4	Empowering Supervisors
Article 41	The Company has appointed three independent directors and set up an Audit Committee, the regulations on the functions and obligations of supervisors of the place of the Company's listing shall apply mutatis mutandis to the Audit Committee.
Chapter 5	Respecting Stakeholders' Rights and Interests
Article 42	The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other interested parties and stakeholders of the Company. It shall also respect and safeguard their legal rights and interests. The Company is also advised to set up a stakeholders' section on its website.
	When a management buy-out occurs at the company, attention must be paid to the Company's health of finance structure after the buy-out. When a stakeholder's legal right is violated, the Company shall respond appropriately according to the principle of good faith.
Article 43	The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interests are harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.
Article 44	The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or independent directors to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.
Article 45	In developing its normal business and maximizing the shareholders' interests, the Company shall pay attention to consumers' interests, environmental protection of the community, and public welfare, and shall give serious regard to its social responsibility.
Chapter VI	Improving Information Transparency
Section 1	Enhancing Information Disclosure
Article 46	Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant regulations of TWSE or TPEx.
	The Company shall establish an online reporting system for public information, appoint employees responsible for gathering and disclosing the information, and establish a spokesperson system to ensure the proper and timely disclosure of information on policies that might affect the decisions of shareholders and stakeholders.
Article 47	To enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among

departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements to the public independently, provided that the order of delegation shall be established to avoid any confusion.

To implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change in the position of a spokesperson or acting spokesperson.

Article 48

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. The Company should also furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 49

The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEx, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TWSE rules.

Section 2

Disclosure of Information on Corporate Governance

Article 50

The Company shall disclose and continuously update the following information regarding corporate governance during the fiscal year in accordance with laws and regulations, and TWSE rules.

- (1) Corporate governance framework and regulations.
- (2) Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
- (3) Structure, professionalism and independence of the Board of Directors.
- (4) Obligations and responsibilities of the Board of Directors and managerial officers.
- (5) Composition, duties and independence of the Audit Committee.
- (6) Composition, duties and operation of the Remuneration Committee and other functional committees.
- (7) The remuneration paid to the directors (including independent directors), president and vice presidents in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration

payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.

- (8) The progress of training of directors and independent directors.
- (9) The rights, relationships, appeal channels, concerns, and appropriate response mechanism regarding stakeholders.
- (10) Details of the events subject to information disclosure required by law and regulations.
- (11) Deviations and reasons for the deviations between the status of corporate governance and the Company's Corporate Governance Best Practice Principles.
- (12) Other information regarding corporate governance.

The Company should adopt appropriate methods to improve tactical planning and measures for corporate governance based on the actual implementation status of corporate governance.

Chapter 7 Supplementary Provisions

Article 51 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms to enhance their effectiveness.

11. Corporate Social Responsibility Best Practice Principles

Article 1 The Company has established the Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" to fulfill corporate social responsibilities and promote the economic, environmental, and social advancement for the purpose of achieving the Company's sustainable development.

Article 2 The Principles applies to the Company and the entire operations of the Company and its business group.

The Principles encourages the Company to actively fulfill its corporate social responsibility in the course of its business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive advantages built on corporate social responsibility.

Article 3 The Company fulfills its corporate social responsibility and pays attention to the rights and interests of stakeholders. While pursuing sustainable development and profit, the Company focuses on environmental, social, and corporate governance factors and incorporates them into its management approaches and operating activities.

Article 4 The Company shall adhere to the following principles to implement corporate social responsibility initiatives:

- (1) Exercise corporate governance.
- (2) Develop a sustainable environment.
- (3) Protect public welfare.

	(4) Enhance disclosure of corporate social responsibility information.
Article 5	<p>The Company shall take into consideration the correlation among the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the Board of Directors and then reported to the shareholders meeting.</p> <p>When a shareholder proposes a motion involving corporate social responsibility, the Company's Board of Directors is advised to review and consider including it in the shareholders' meeting agenda.</p>
Article 6	<p>The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Code of Ethical Conduct for TWSE/TPEX Listed Companies to establish effective corporate governance frameworks and relevant ethical standards to enhance corporate governance.</p>
Article 7	<p>The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments to ensure the thorough implementation of its corporate social responsibility policies. When the Board of Directors performs its corporate social responsibilities, it should fully consider the interests of stakeholders including the following matters:</p> <ol style="list-style-type: none"> (1) Proposing the company's mission or vision of corporate social responsibility, and declaring its corporate social responsibility policy, systems or relevant management guidelines; (2) Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and (3) Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information. <p>The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.</p>
Article 8	<p>The Companies shall organize regular education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.</p>
Article 9	<p>For the purpose of managing corporate social responsibility initiatives, the Company established a dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report to the Board of Directors on a regular basis.</p>

	<p>The Company shall adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.</p>
	<p>The employee performance evaluation system shall be combined with corporate social responsibility policies and the Company shall establish a clear and effective incentive and discipline system.</p>
Article 10	<p>The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website. It shall understand the reasonable expectations and demands of stakeholders through proper communication with them and adequately respond to the important corporate social responsibility issues which they are concerned about.</p>
Article 11	<p>The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.</p>
Article 12	<p>The Company shall endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.</p>
Article 13	<p>The Company shall establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:</p> <ol style="list-style-type: none"> (1) Collect sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment. (2) Establish measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis. (3) Adopt enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.
Article 14	<p>The Company has established the Environmental Protection and Energy Conservation Division for drafting, promoting, and maintaining relevant environment management systems and concrete action plans. It regularly holds environment education courses for their managerial officers and other employees.</p>
Article 15	<p>The Company takes into account the impact on the ecology and promotes the sustainable consumption concepts. It also conducts research, procurement, production, operations, services, and other business activities based on the following principles to reduce the impact of the Company's operations on the natural environment and humans:</p> <ol style="list-style-type: none"> (1) Reduce resource and energy consumption in products and services. (2) Reduce emissions of pollutants, hazardous substances, and waste and process waste in an appropriate manner. (3) Improve recycling and reuse of materials and products. (4) Ensure maximum sustainable use of renewable resources. (5) Extend the durability of products. (6) Improve the performance of products and services.

Article 16	<p>The Company shall improve the utilization of water resources and it shall establish related management measures to facilitate proper and sustainable use of water resources.</p>
	<p>The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land. It shall also do its utmost to reduce adverse effect on human health and environment and adopt the best feasible pollution prevention and technical control measures.</p>
Article 17	<p>The Company has adopted standards or guidelines generally accepted in Taiwan and abroad to enforce corporate greenhouse gas inventory and to disclose information. The scope of information disclosure includes:</p>
	<ul style="list-style-type: none"> (1) Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company. (2) Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.
	<p>The Company pays attention to the impact of climate change on business operations. It formulates energy conservation and carbon reduction as well as greenhouse gas cutback strategies based on its business operations and results greenhouse gas inventory. It also includes the acquisition of carbon rights into the Company's carbon emissions reduction strategy for implementation to reduce the impact of the Company's business activities on climate change.</p>
Article 18	<p>The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights with respect to rights such as gender equality, the right to work, and prohibition of discrimination.</p>
	<p>The Company shall establish related management policies and procedures to perform its obligations to protect human rights including:</p>
	<ul style="list-style-type: none"> (1) Propose the Corporate Human Rights Policy or Statement. (2) Evaluate the impact of the Company's business activities and internal management on human rights and establish corresponding processing procedures. (3) Conduct regular reviews on the effectiveness of the Corporate Human Rights Policy or Statement. (4) In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.
	<p>The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.</p>
	<p>With regard to incidents that damage to labor rights, the Company shall provide effective and appropriate complaint mechanisms to ensure equality and transparency in the complaint filing process. The grievance</p>

	channels shall be simple, convenient, and open and the Company responds to employees' complaints in an appropriate manner.
Article 19	The Company shall provide information for their employees for them to understand labor laws and the rights they enjoy in the countries where the companies have business operations.
Article 20	<p>The Company shall provide safe and healthy workplace for employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.</p> <p>The Company shall organize regular training on safety and health for employees.</p>
Article 21	<p>The Company shall create an environment conducive to the development of employees' careers and establish effective training programs to foster career skills.</p> <p>The Company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.</p>
Article 22	<p>The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.</p> <p>The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.</p> <p>The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.</p>
Article 22-1	<p>The Company shall consider the products and services it provides to customers and select the following applicable principles in accordance with the characteristics of the printed circuit board industry. It shall develop relevant strategies and specific measures for implementation in a fair and reasonable manner.</p> <ol style="list-style-type: none"> (1) Uphold mutual benefits, fairness, and integrity in signing contracts. (2) Accept due diligence and fiduciary duty for customers' assignments. (3) Ensure that products or services provided are suitable for customers. (4) Fully explain the important contents of products and services provided and disclose risks. (5) Ensure open complaint channels for customers and truthful responses from the Company. (6) Ensure the validity of advertisement. (7) Consider the balance between remuneration for sales personnel and sales performance. (8) Professionalism of sales personnel.
Article 23	The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of its products and

	<p>services. It shall establish and disclose policies for consumer rights and interests and enforce them in the course of business operations to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.</p>
Article 24	<p>The Company shall ensure product and service quality in accordance with related government and industry regulations.</p> <p>The Company shall adhere to related regulations and international standards for product and service marketing and labeling. The Company shall not engage in any activities involving deceptive or misleading behaviors, frauds, or other actions which may diminish the trust of consumers or damage consumer interest.</p>
Article 25	<p>The Company shall evaluate and manage all types of risks that could cause interruptions in operations to reduce the impact on consumers and society.</p> <p>The Company shall provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints. It shall comply with the Personal Information Protection Act and related laws and regulations for respecting consumers' rights of privacy and it shall protect personal data provided by consumers.</p>
Article 26	<p>The Company shall assess the impact of procurement on where the source of supply from the society as well as the environment of the community. It shall cooperate with suppliers to jointly implement corporate social responsibility initiatives.</p> <p>Prior to engaging in commercial dealings, the Company shall assess whether there is any record of a supplier's impact on the environment and society and avoid conducting transactions with suppliers that violate its corporate social responsibility policy.</p> <p>When the Company enters into a contract with a major supplier, the content should include terms stipulating mutual compliance with corporate social responsibility policy and specify that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.</p>
Article 27	<p>The Company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations to enhance community acceptance.</p> <p>The Company shall, through equity investment, commercial activities, endowments, volunteering service, other charitable professional services, etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies related to community development and community education to promote community development.</p>
Article 28	<p>The Company shall disclose information according to relevant regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and shall fully disclose relevant and reliable information related to its corporate social responsibility to improve information transparency.</p> <p>The Company shall disclose the following CSR information:</p>

- (1) The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the Board of Directors.
- (2) The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- (3) Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
- (4) Major stakeholders and their concerns.
- (5) Disclosure of information on major suppliers' management and performance with respect to major environmental and social topics.
- (6) Other information related to corporate social responsibility initiatives.

Article 29

The Company shall adopt widely recognized international standards or guidelines when producing corporate social responsibility reports to disclose the status of their implementation of the corporate social responsibility policy. It shall also obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The contents include:

- (1) Implementation of CSR policies, systems, related management policies, and specific advancement plans.
- (2) Major stakeholders and their concerns.
- (3) Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and advancement of economic development.
- (4) Future improvement plans and goals.

Article 30

The Company shall continuously monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment to examine and improve the corporate social responsibility framework it has established and to obtain better results from the implementation of the corporate social responsibility policy.

12. Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees

Article 1 (Purpose and basis for adoption)

These Regulations are established in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the Company's "Corporate Governance Best Practice Principles" to implement corporate governance, enhance the functions of the Board of Directors and functional committees of the Company, and to set forth performance objectives to improve the operation efficiency of the board of directors.

Article 2 (Applicable regulations)

The main evaluation cycle, evaluation period, evaluation scope and methods, unit responsible for the evaluation, evaluation procedures, and other compliance items for the evaluation of the Company's Board of Directors and functional committees shall be processed in accordance with these Regulations.

The aforementioned functional committees of the Company include the Audit Committee and the Remuneration Committee.

Article 3

(Frequency and length of evaluation)

The Company's Board of Directors and functional committees shall conduct at least one performance evaluation every year. The performance evaluation shall be conducted at the end of each year in accordance with the evaluation procedures and standards set forth in Article 6 and Article 7 to evaluate the performance of the year.

Performance evaluations for a given year shall be completed before the first meeting of the Board of Directors in the following year.

Article 4

(Scope and methods of evaluation)

The scope of the evaluation covers the evaluation of the Board of Directors as a whole, individual Directors and functional committees and their members.

Methods of evaluations include the performance evaluation of the Board of Directors, self-evaluation by members of the Board of Directors and functional committees.

Article 5

(Evaluation unit)

The Chairman's Office shall have an adequate understanding of the operation of the Board of Directors and functional committees. It shall serve as the executive unit for the performance evaluation of the Board of Directors and functional committees.

Article 6

(Internal evaluation procedures)

The Chairman's office shall collect information related to the activities of the Board of Directors and functional committees at the end of the year and distribute the following questionnaires to compile statistics on evaluation results for reports to the Board of Directors as the basis for review and improvement.

- (1) "Board Performance Evaluation Form" (Attachment 1): Filled out by the Chairman's Office.
- (2) "Board Member Self-Evaluation Questionnaire" (Attachment 2): Filled out by board members.
- (3) "Audit Committee Performance Evaluation Form" (Attachment 3): Filled out by the Chairman's Office.
- (4) "Remuneration Committee Performance Evaluation Form" (Attachment 4): Filled out by the Chairman's Office.
- (5) "Remuneration Committee Member Self-Evaluation Form" (Attachment 5): Filled out by members of the Remuneration Committee.

Article 7

(Evaluation indicators and scoring standards)

The Company's evaluation items for the performance evaluation of the Board of Directors and functional committees shall include at least the following five dimensions:

- (1) Level of participation in the Company's operations
- (2) Improvement in the quality of decision-making
- (3) Composition and structure
- (4) Election and continuous education

(5) Internal controls

The measurement items for the self-assessment of the performance of directors and members of functional committees shall include at least the following six dimensions:

- (1) Familiarity with the Company's goals and mission
- (2) Understanding of the role and responsibilities
- (3) Level of participation in the Company's operations
- (4) Internal relations management and communication
- (5) Professionalism and continuing education
- (6) Internal controls

The performance evaluation indicators and evaluation standards may be adjusted in accordance with the actual operations of the Company.

Article 8

(References for selection of directors by the Board of Directors)

When the Company's Board of Directors nominates a director, the results of performance evaluations for individual directors shall be listed as references for the nomination.

Article 9

(Information disclosure)

The Company shall disclose the implementation status of performance evaluations of the Board of Directors in the Annual Report or the Company's website each year. It shall also explain the evaluation methods.

Article 10

(Methods of disclosure)

The performance evaluation methods established by the Company have been fully disclosed on the MOPS and the Company's website for reference.

Article 11

(Implementation)

The Regulations shall be implemented upon approval by the Board of Directors. The same applies to amendments.

13. Specific Plans for Implementing Corporate Social Responsibilities and Achievements

The Company took on the mission of "Technological development for the benefit of mankind; protect the environment and make the Earth a better place" and we have remained committed to building a corporate culture. We also use our core values in the industry to promote activities related to corporate social responsibilities and achieved results in the four dimensions including ethical management, environmental protection and energy conservation, employee care, and social participation. We hope to achieve sustainable development while protecting the interests of all stakeholders and become a role model in the PCB industry.

The Company upholds a people-oriented corporate philosophy and core values for integrity, responsibility, and excellence. We actively established a training system for employees and we provide benefits and related subsidies. We hope that employees identify with the Company's ideas and implement them in their life to bring benefits to their family and society. The Company implements a CSR policy based on "Six Assurances and Six Loves" to encourage employees to participate in our employee care, environmental protection, and social activities. In addition, the Company also promotes the "Zhen Ding Seven Green" policy with the aim of planting green seeds for

environmental protection in each employee and establish a unique green corporate culture to achieve prosperity for the Company, society, and natural environment.

1. Pollution prevention

(1) Wastewater treatment

1. Wastewater from production is categorized into 20 to 25 categories based on the characteristics of product and pollutants. We collect wastewater for processing or recycling.
2. Based on the characteristics of wastewater, we adopted unique designs that include ten major processing systems with high-efficiency processing equipment, three-dimensional distribution of processing units for multiple phases, and a smart central control system.
3. We ensure wastewater treatment functions and effectively recycle water resources and heavy metals. We also save land usage, reduce energy consumption in the process, and expand flexibility.
4. Each wastewater treatment plant is equipped with a water quality laboratory for designated personnel to review the water quality in the wastewater treatment system.
5. Each wastewater effluent outlet is equipped with an online water quality/water volume monitoring device which is linked to environmental protection agencies for comprehensive 24-hour monitoring. A series of protection measures is implemented to ensure compliance with wastewater effluent standards.

(2) Exhaust gas treatment

1. The exhaust gas from all production lines is divided into 4 to 6 categories based on the contents of pollutants for sorting and processing.
2. Regular outsourced inspections ensure emissions concentration to be far lower than requirements in national standards.

(3) Waste disposal

1. Solid waste is divided into three categories: Hazardous waste, general industrial waste, and general waste.
2. Waste are sorted and collected at the sources on the production line.
3. Resources are fully recycled to create value. Waste that cannot be recycled is contracted to licensed professional contractors for processing.

(4) Radiation safety management

1. Radioactive equipment refers to devices that emit X-ray, gamma ray, or neutron radiation. They can be classified into Category I, Category II, and Category III based on the radiation level from high to low. All radioactive equipment used by the Company consists of Category III X-ray devices which are mainly used for inspections.
2. Each radioactive has passed rigorous environmental impact assessments and the Company has obtained radioactive safety licenses from local governments. All indicators have met requirements in related national standards.
3. Each operator must undergo training before taking office. They perform their duties as licensed professionals after passing tests. The Company strictly forbids unlicensed personnel from operating radioactive equipment.

4. The Company requires all operators of radioactive equipment to wear radiation monitoring badges and regularly inspects the radiation level to protect employees' health and safety.
2. Energy conservation and carbon emissions reduction
 - (1) Energy conservation design in plant building

We studied the local environment and original landform to introduce green building concepts for the entire park based on characteristics of the natural environment.
 - (2) Adoption of advanced equipment for environmental protection and energy conservation

We use production line equipment provided by the world's top three manufacturers and we prioritize the use of low-energy consumption and low-pollution equipment. We develop various energy-saving and water-saving solutions with manufacturers and strictly monitor and control all resource consumption in regular production.
 - (3) Certified clean production process

To comply with the "Cleaner Production Promotion Law" and "Cleaner Production Standards for Printed Circuit Board Manufacturing" promulgated in China, plants have actively implemented reviews and continuous improvements to pass the clean production review and receive certification.
 - (4) Carbon emissions inventory and management

The Company has actively inventoried greenhouse gas emissions for multiple years and passed third-party accreditation.

The Company has continuously improved the energy efficiency of equipment to achieve the energy conservation and carbon reduction targets in China's 13th Five-Year Plan. Since 2015, The Company's subsidiaries have adopted the ISO 50001 Energy Management System (systems have been established and certified for all sites as of 2017) for all the manufacturing sites. We have implemented systematic optimization for energy management and control and continuously improved energy consumption efficiency to fulfill our responsibilities in energy conservation and carbon reduction and protecting the Earth.
3. Resource Recycling
 - (1) PCB production requires massive amounts of water. Our plants have introduced high-performance wastewater recycling equipment to process wastewater for use based on the requirements of water usage sites. Water is recycled for reuse in production, environmental cleaning, and irrigation.
 - (2) The Company has engaged in multiple water recycling projects, such as recycling of rainwater/wastewater from pure water plants, recycling of reverse osmosis (RO) water from cooling towers, recycling of recyclable wastewater, and war horse water-saving projects. The Company recycled roughly 5.637 million tons of water in 2019.
 - (3) The Company established a waste resource management unit to implement waste sorting and management. We established a dedicated R&D team to develop new resource recycling technologies to increase the value of resources. The waste recycling rate of our plants is currently 93.8%.
4. Green Culture
 - (1) "Zhen Ding Seven Green" is the Company's key strategy and platform in

environmental protection and energy conservation activities. We analyzed on the major seven aspects of production and general usage and examined methods and practices for improving energy conservation, carbon emissions reduction, efficiency, consumption reduction, greenery, and recycling and implemented in our daily lives and work.

- (2) We organize Environmental Protection Month events and other environmental protection events each year to improve employees' environmental protection and energy conservation awareness.
- (3) We planted trees in the plants on Arbor Day each year to jointly create a low-carbon green environment.
- (4) We actively respond to government authorities' environmental protection and energy conservation policies and activities to promote a green culture and become a role model for environmental protection. Please refer to the Annual Report for awards won by the sites for environmental protection and energy conservation.
- (5) We strengthened communication with residents of neighborhoods near the sites and customers of the Company to promote our environmental protection culture and fulfill corporate social responsibilities.

5. The Company has hosted environmental protection and energy saving activities in designated month for 12 consecutive years since 2007 and collaborated with more than 38 government units, elementary and junior high schools, and environmental groups to organize such activities. We have hosted over 107 edutainment activities in our sites with more than 99,000 participants to promote greenification and enable our employees and the society to jointly build a better and harmonious green environment and sustainable society.



6. Employee Care

The Company upholds corporate values of "integrity, responsibility, innovation, excellence, and helping others". We firmly place employees at the center of our activities. The Company passed a series of events centered around the "Six Loves" to take care of employees. The so-called "Six Loves" include:

- (1) **"Love Yourself":** The Company encourages employees to learn to love themselves. We planned a series of professional, technical, and management courses to help employees improve themselves. We organized various yoga, dance, handicraft, spiritual growth, and healthy lifestyle courses to help

employees take care of themselves, improve their tastes, improve their cultural appreciation, and build personal charm and style.

- (2) **"Love Family":** The Company actively organized social gatherings, family events, family development day, happy couple events in each plant to increase employees' sense of happiness. We provide employees with happiness in the Company and increase their interactions with their families to thank them for their hard work.
- (3) **"Love Colleagues":** The Company provided employees with comprehensive care from visits to production lines, employee seminars, hotline assistance, and organizing birthday parties for employees to increase interactions between employees and create a friendly, happy, and harmonious teamwork environment.
- (4) **"Love the Company":** The Company provides employees with a stage to fulfill their personal values in life. We encourage employees to integrate their own growth in the Company's development. The Company's listing on the Stock Exchange allowed employees to reap the results of their labor and share the glory. We organized various reward and incentive activities to inspire employees' passion for their jobs and careers. We continue to encourage our employees and increase their sense of belonging and happiness.
- (5) **"Love Life":** The Company constructed and improved the movie theater, dance and yoga room, gym, and other integrated multi-functional cultural venues and used activities such as gym check-in, amateur club activities, sports competitions, themed parties, pottery, and floral design activities to satisfy all employees' requirements and help them lead healthier lives so they can improve their health and increase their quality of life.
- (6) **"Love the Earth":** "Protect the environment and make the Earth a better place" is one of the Company's motto. The Company organized Environmental Protection Month events, environmental protection education on campus and in local communities, recycle resources, and green hikes to promote a green corporate culture, fulfill our environmental protection missions, and make the Earth a more beautiful place through our actions.

The series of events surrounding the "Six Loves" above established the Company's corporate culture. We continue to distribute "Ding Sheng Monthly" magazine and host the "Ding Yue Voice" program on radio stations each day to encourage employees. We let each employee feel the Company's care at all times so that they can improve themselves and be with their family.

We organized 3,331 sessions of the Six Loves events with approximately 474,465 attendances in 2019.

7. Social Participation

We uphold the business philosophy of "love, confidence, and resolve" to promote a corporate culture of love. The Company advanced the "Six Helps" events centered around "being responsible" to fulfill corporate social responsibilities. The "Six Helps" include:

- (1) **"Help the Elderly":** We regularly visit elderly people who live alone and we organize employees to provide volunteer services in retirement homes to improve employees' gratitude and awareness for respecting their elders. We promote respect, honor, and love for the elders and provide them with love and care to contribute to social welfare activities.
- (2) **"Help the Weak":** The Company sponsors children's homes and lead employees to care for and spend time with disadvantaged groups in society. We organize

volunteer service teams and use our actions to implement the volunteer's spirit of "sacrifice, love, helping others, and progress". We use our love as a force for building hope and the future.

- (3) "Help the Disabled": The Company provides disabled people with jobs to help them self-reliant and fulfill their own goals. We visit rehabilitation centers and home of disabled people to accompany disabled people, bring love to disabled children, and give them sunshine and warmth.
- (4) "Help Studies": We visit students with financial difficulties and donate books and other materials for studies. We improve the education environment at schools and set up book corners. We use a variety of interactive activities to help children expand their horizons and gain knowledge for their growth and maturity.
- (5) "Help Transportation": We promote transportation safety and increase pedestrians' awareness of traffic laws to construct a civilized and orderly transportation environment. We encourage compliance with traffic laws and civilized driving. We provide citizens and environment sanitation workers with drinking water and we distribute environmentally friendly bags to fulfill our low-carbon environmental protection ideals and show how much the Company cares.
- (6) "Help Cleanliness": We promote the maintenance of a clean environment and we organize charity cleaning events on the beach and in parks to transform our care for the environment into actions in the daily lives of our employees. We fulfill goals for energy conservation and environmental protection development and lead the society in jointly implementing our ideals for loving the Earth to create a civilized homeland with clean water and blue skies.

We fulfilled our corporate social responsibility through a series of "Six Helps" events. We organized 45 sessions of the Six Helps events with approximately 7,727 attendances in 2019. The Company adopted its own song "Let the World See" to deliver our corporate culture and take on corporate social responsibilities to contribute to social advancement. The Company shall uphold the spirit for continuous innovation and we hope to make ourselves, the environment, society, and the Earth better each day.

The CSR performance of the Company in 2019 was as follows:

- 1. The Company donated NT\$500,000 to the Friends of the ROC Police Association to set up a "Policy Aid Station" for appreciating the hard work that police officers put in to maintain social order. Through this sponsorship, we fulfill our CSR and promote economic, environmental, and social advancement.
- 2. The Company donated NT\$1.2 million to the Taipei Municipal Jianguo High School to sponsor the school's participation in the First Robotic Competition (FRC), which is designed specifically for 14-18-years-old high school students. This competition involves using assigned parts to produce robots, placing particular emphasis on program design, motor control mechanical design, machine production, data analysis, and public relations. FRC is widely recognized as a world-class robotic competition for young adults. By sponsoring the school, we endeavor to fulfill our CSR and keep pace with international trends.
- 3. The Company has made the following social contributions in 2019:
 - (1) We visit elderly people who live alone. We promote respect, honor, and love for the elders and provide them with love and care to contribute to social welfare activities.

- (2) We visit children's homes and lead employees to care for and spend time with disadvantaged groups in society. We take actions to implement the spirit of "sacrifice, love, helping others, and progress". We use our love as a force for building hope and the future.
- (3) We claimed 1.25 hectares in the "My Piece of Land" event to support local rice growers.

We fulfilled our corporate social responsibility through a series of events and assist with social advancement and development. The Company shall uphold the spirit for continuous innovation and we hope to make ourselves, the environment, society, and the Earth better each day.

8. Strategic Partners

The Company has always been happy to share our experience with strategic partners and learn from each other in research and innovation. We prosper with suppliers, professional institutions, and other strategic partners and share the results of our work. We firmly believe that business management is not a zero-sum game but it is about coexistence and joint prosperity with strategic partners. We hope to form alliances with strategic partners to jointly innovate and develop core technologies (new products, new technologies, new equipment, new materials and new processes) and share the results. We also hope that our high-quality circuit boards can be widely adopted in products of end-customers for the benefit of consumers and society. This constitutes the fulfillment of "Technological development for the benefit of mankind" (one of the Company's missions).

9. Identity of Stakeholders, Issues of Concern, Communication Channels, and Response Methods

We used internal CSR work meetings to discuss and identify stakeholder groups with significant economic, environmental, and social impact on Zhen Ding. We reference issues disclosed by other companies and identified eight major stakeholder groups for Zhen Ding based on dependency, responsibility, influence, diverse perspectives, focus, and the Company's actual operations. Investors, customers, competent authorities, suppliers, contractors, employees, communities and banks.

Each stakeholder is very important to the Company and they are the cornerstones for Zhen Ding's sustainable development. We constantly remind ourselves of our goals when we first started and to conduct business with integrity and responsibility.

We used questionnaire surveys to collect and compile information regarding issues of concern to stakeholders. We also review the Company's existing communication channels with stakeholders and communication frequency below:

(1) Contacts

Stakeholders	Contact Person
Competent authority	Deputy Manager Chen Email: zdt-contact@zdtco.com
Investors	Manager Ling Email: zdt-ir@zdtco.com
Suppliers	Manager Liu Email: zdt-contact@zdtco.com
Contractors	Manager Wang Email: zdt-contact@zdtco.com
Communities	Deputy Manager Li Email: zdt-hr@zdtco.com
Customers	Deputy Manager Li Email: zdt-sales@zdtco.com

Employees	Deputy Manager Li Email: zdt-hr@zdtco.com
Banks	Deputy Manager Li Email: zdt-contact@zdtco.com

(2) Issues of Concern to Stakeholder, Communication Channels and Frequency

Stakeholders	Issues of concern	Communication Channel	Communication Frequency
Competent authority	Economic performance, Wastewater and waste, Compliance with environmental protection regulations, Compliance with social regulations Compliance with product regulations	◎ Shareholders' meeting Market Observation Post System Contact mailbox on the Company's official website Foreign investor forum Institutional investors' conference Official document	Irregular basis ◎ Regular
Suppliers	Economic performance, Procurement and supplier management Products and services, Compliance with product regulations	◎ Supplier audits and inspections	◎ Audits based on the supplier audit plans (annual audits for main materials) Green product investigations (e.g. conflict minerals) are implemented on an irregular basis
Investors	Economic performance, Compliance with environmental protection regulations, Total environmental protection expenditures, Compliance with social regulations Compliance with product regulations	◎ Shareholders' meeting Market Observation Post System Investors Section on the Company's official website Participation in domestic and foreign investment forums Institutional investors' conference Conferences (small-scale conferences with multiple individuals and one-on-one telephone conferences)	Irregular basis ◎ Regular
Contractors	Energy management, Greenhouse gas and air pollution	Contact mailbox on the Company's official website	Irregular basis

Stakeholders	Issues of concern	Communication Channel	Communication Frequency
	emissions, Wastewater and waste, Infrastructure investment Procurement and supplier management		
Communities	Basic salary Greenhouse gas and air pollution emissions, Wastewater and waste, Infrastructure investment	Contact mailbox on the Company's official website Corporate volunteer activities	Irregular basis
Customers	Forced and coerced labor, Products and services, Compliance with product regulations	Products and services section on the Company's official website Satisfaction questionnaire surveys <input checked="" type="radio"/> Business meetings	Irregular basis <input checked="" type="radio"/> Implemented once a year
Employees	Basic salary	Labor suggestion boxes Labor-management meetings <input checked="" type="radio"/> Ding Sheng Monthly Thematic activities	Irregular basis <input checked="" type="radio"/> Monthly publication
Banks	Economic performance, Compliance with environmental protection regulations, Compliance with social regulations Compliance with product regulations	Contact mailbox on the Company's official website Contracts and correspondence	Irregular basis

14. Sustainable Development and Publication of the Report

The Company's Human Resources Division, Investment Management Division, Spokesperson & Investor Relation Division, and General Affairs Division jointly established the Sustainable Development Committee and the spokesperson serves as the convener to convene monthly meetings on material topics. The Committee oversees and reviews the Company's goals, performance, and progress in corporate social responsibilities and sustainable development. Each departments shall initiate projects based on different topics accordingly.

Main duties: Oversee the Company's corporate social responsibilities; collect and compile the opinions of stakeholders and identify the impact and target achievement rate; report the performance to the Board of Directors before the publication of the CSR Report for the Board of Directors to review and publish; assist in communication with stakeholders. The Committee is at the core of corporate sustainable development.

15. In 2019, the Company continues to integrate environmental protection and energy saving activities in the society. Working with the local government, communities, and schools, we have organized sixteen green activities, which are aimed at encouraging green practices at school and green lifestyles at home to promote greenification and environmental protection, raise public awareness on environmental protection, and translate the concept of environmental protection into actions to fulfill social responsibilities.

The Company's greenhouse gas emissions in the past two years are as follows:

Items	2018	2019
Period	From January 1, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Scope	Shenzhen, Qinhuangdaok, Huai'an Comprehensive Bonded Zone, and Huai'an	
Greenhouse Gas Emissions	Direct: 36,881 Tonnes/ CO2 Equiv. Indirect: 678,134 Tonnes/ CO2 Equiv. Other Indirect: 14,704 Tonnes/ CO2 Equiv.	Direct: 38,076 Tonnes / CO2 Equiv. Indirect: 694,596 Tonnes / CO2 Equiv. Other Indirect: 10,923 Tonnes / CO2 Equiv.

Note: Our greenhouse gas emissions have passed third-party SGS verification in accordance with ISO-14064-1.

The Company pays considerable attention to the impact of climate change on its business operations. In addition to taking actions for energy conservation and carbon reduction, we expanded the scope of the following activities to achieve greenhouse gas reduction:

- (1) We inventoried the greenhouse gas emissions of our major suppliers, guided them on establishing ISO systems, and increased the depth of suppliers' green management to enhance the Company's green influence.
- (2) We participated in the international Carbon Disclosure Project (CDP Supply Chain program). Zhen Ding leads the global PCB industry with a B rating on its CDP performance in 2019, which was higher than the average in Asia and the industry. We announce our green development ideals and performance in energy conservation and carbon reduction as we learn about carbon management from world-class companies.

(3) The Company's production departments and other peripheral units have engaged in multiple energy conservation and reduction projects, such as energy efficiency improvement projects, water management projects, and waste management projects.

We also actively participate in the trading of carbon emission in Shenzhen and become a part of China's carbon trading market, not only to ensure that the company maintains sufficient carbon quotas in the future, but also to promote energy-saving measures using advanced technologies, thereby creating favorable opportunities for the company's future long-term business development.

The Company has established an email (zdt-contact@zdtco.com) and a mailbox for employees and the general public to provide feedback on environmental protection and environmental issues. The feedback collected will be sent to various dedicated units and department head for appropriate handling. Our plants have established feasible environmental contingency plans that clearly describe the relevant requirements of department heads and fast-response mechanisms when the company encounters environmental problems. The Company adopts information disclosure, electronic methods, and institutionalized strategies to strengthen Zhen Ding's focus on and management of environmental protection.

(XII) Internal Control System Statement

Zhen Ding Technology Holding Limited Internal Control System Statement

Date: March 30, 2020

This Internal Control System Statement is issued based on the self-assessment results of the Company for the year 2019:

- I. The Company acknowledges that the Company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the Company has already established such a system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria adopted by the Governing Regulations are divided into 5 components in accordance with the procedures of management control: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; and 5. Monitoring activities. Each constituent element includes a number of categories. Please refer to "Governing Regulations" for details.
- IV. This Company has already adopted the aforementioned internal control system assessment items to evaluate the effectiveness of internal control system design and implementation.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that its internal control system (including its supervision and management of subsidiaries) on December 31, 2019, encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operated that reasonably assures the achievement of the above-stated objectives.
- VI. This Statement of declaration shall be the primary content of the Company's Annual Report and prospectus, and shall be made available to the public. Falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was approved in the meeting of the Board of Directors on March 30, 2020 where all 7 attending Directors approved the content of this Statement.

Zhen Ding Technology Holding Limited

Chairman: Chang-Fang Shen

President: Ting-Chuan Lee

(XIII) From the most recent fiscal year up until the publication date of the Annual Report, the circumstances in which the Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions shall be disclosed: None.

(XIV) Important resolutions adopted in the shareholders' meeting, Board of Directors' meeting, and the Audit Committee in the past year and up to the publication date of the Report:

1. Key Resolutions of the shareholders' meeting and implementation status:

The attendance and attendance by proxy in the shareholders' meeting totaled 846,937,601 shares (including 498,449,164 votes exercised electronically) which accounted for 93.87% of total shares outstanding (902,229,887 shares).

Date of Meeting	Agenda, results of votes, and implementation status
2019.06.21	<p>1. Ratification of the 2018 business report and consolidated financial statements</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 662,670,099 votes (including 315,213,687 votes exercised electronically) which accounted for 78.33% of the votes in attendance; the number of votes against of ratification totaled 21,550 votes (including 21,550 votes exercised electronically) which accounted for 0.00% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 183,224,952 votes (including 183,213,927 votes exercised electronically) which accounted for 21.65% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: Publication and filing of the consolidated financial statements for 2018 in accordance with regulations.</p> <p>2. Ratification of the distribution of earnings for 2018.</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,314,939 votes (including 319,858,527 votes exercised electronically) which accounted for 78.88% of the votes in attendance; the number of votes against of ratification totaled 72,550 votes (including 72,550 votes exercised electronically) which accounted for 0.00% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 178,529,112 votes (including 178,518,087 votes exercised electronically) which accounted for 21.10% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company completed the distribution of NT\$4,023,741,795 on July 30, 2019 and distributed cash dividend of NT\$4.459774 per share.</p>

Date of Meeting	Agenda, results of votes, and implementation status
	<p>3. Amendments to the "Articles of Incorporation"</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,048,789 votes (including 319,592,377 votes exercised electronically) which accounted for 78.85% of the votes in attendance; the number of votes against of ratification totaled 289,700 votes (including 289,700 votes exercised electronically) which accounted for 0.03% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 178,578,112 votes (including 178,567,087 votes exercised electronically) which accounted for 21.11% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company implemented measures in accordance with the "Articles of Incorporation" after the date of resolution in the shareholders' meeting and announced on the company's website.</p> <p>4. Passed the amendment to the "Procedures for Acquisition or Disposal of Assets"</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,366,789 votes (including 319,910,377 votes exercised electronically) which accounted for 78.89% of the votes in attendance; the number of votes against of ratification totaled 22,700 votes (including 22,700 votes exercised electronically) which accounted for 0.00% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 178,527,112 votes (including 178,516,087 votes exercised electronically) which accounted for 21.10% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company implemented measures in accordance with the Operational Procedures For Acquisition and Disposal of Assets after the date of resolution in the shareholders' meeting and announced on the company's website.</p> <p>5. Passed the amendment to the "Procedures for Engaging in Derivative Transactions"</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,304,789 votes (including 319,848,377 votes exercised electronically) which accounted for 78.88% of the votes in attendance; the number of votes against of ratification totaled 33,700 votes (including 33,700 votes exercised electronically) which accounted for 0.00% of the votes in attendance; 0 votes were invalid; the number of</p>

Date of Meeting	Agenda, results of votes, and implementation status
	<p>uncast votes/abstentions totaled 178,578,112 votes (including 178,567,087 votes exercised electronically) which accounted for 21.11% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company implemented measures in accordance with the "Procedures for Engaging in Transactions of Derivative Products" after the date of resolution in the shareholders' meeting and announced on the company's website.</p> <p>6. Passed the amendment to the "Procedures for Making Endorsements and Guarantees"</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,299,789 votes (including 319,843,377 votes exercised electronically) which accounted for 78.88% of the votes in attendance; the number of votes against of ratification totaled 74,700 votes (including 74,700 votes exercised electronically) which accounted for 0.00% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 178,542,112 votes (including 178,531,087 votes exercised electronically) which accounted for 21.10% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company implemented measures in accordance with the "Procedures for Making Endorsements and Guarantees" after the date of resolution in the shareholders' meeting and announced on the company's website.</p> <p>7. Passed the amendment to the "Procedures for Loaning of Funds to Others"</p> <p>Resolution: There were a total of 845,916,601 shares present at the time of voting (including a deduction of restricted voting of 1,021,000 shares). Based on the results of the vote, the number of votes in favor of ratification totaled 667,303,789 votes (including 319,847,377 votes exercised electronically) which accounted for 78.88% of the votes in attendance; the number of votes against of ratification totaled 84,700 votes (including 84,700 votes exercised electronically) which accounted for 0.01% of the votes in attendance; 0 votes were invalid; the number of uncast votes/abstentions totaled 178,528,112 votes (including 178,517,087 votes exercised electronically) which accounted for 21.10% of the votes in attendance. The number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.</p> <p>Implementation status: The Company implemented measures in accordance with the "Procedures for Lending to Others" after the date of resolution in the shareholders' meeting and announced on the company's website.</p>

2. Material Resolutions of the Board of Directors:

Date of Meeting	Key Resolutions and the Company's follow-up implementation
2019.03.29 (12th meeting of the 3rd-term Board of Directors)	<p>1. Passed 2018 "Internal Control System Statement".</p> <p>2. Passed the proposal for the bank credit limit for the Company and subsidiary companies.</p> <p>3. Passed the amendment to the "Procedures for Acquisition or Disposal of Assets".</p> <p>4. Passed the amendment to the "Procedures for Engaging in Derivative Transactions".</p> <p>5. Passed the amendment to the "Procedures for Making Endorsements and Guarantees".</p> <p>6. Passed the amendment to the "Procedures for Loaning of Funds to Others".</p> <p>7. Passed the amendment to the "Articles of Incorporation".</p> <p>8. Passed the amendment to the "Corporate Governance Best Practice Principles".</p> <p>9. Passed the amendment to the "Remuneration Committee Charter".</p> <p>10. Passed the amendment to the "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees".</p> <p>11. Passed the 2018 Business Report.</p> <p>12. Passed 2018 consolidated financial statements.</p> <p>13. Passed 2018 remuneration distribution proposal for Directors and employees.</p> <p>14. Passed the 2018 earnings distribution proposal.</p> <p>15. Passed the proposal for the appointment and remuneration for the certifying CPAs.</p> <p>16. Passed the establishment of the Company's "Standard Operating Procedures for Requests filed by Directors".</p> <p>17. Passed the proposal regarding the time, place, and related matters for the 2019 general shareholders' meeting.</p> <p>18. Passed the capital increase proposal of the Chinese subsidiary company Jiawei Industrial Development Co., Ltd. for purchase of land.</p> <p>19. Passed the capital increase proposal of the Chinese subsidiary company Li Ding Semiconductor Technology (Shenzhen) Co., Ltd.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2019.05.10 (13th meeting of the 3rd Board of Directors)	<p>1. Passed the proposal for the bank credit limit for the Company.</p> <p>2. Passed the Company's 2018 earnings distribution adjustment proposal.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Due to conversion of convertible corporate bonds into ordinary shares, cash dividend was adjusted from NT\$5 per share to NT\$4.459774 per share. This proposal was passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>

Date of Meeting	Key Resolutions and the Company's follow-up implementation
2019.06.21 (14th meeting of the 3rd Board of Directors)	<p>1. Passed the 2019 proposal on the ex-dividend date, distribution date, and related matters.</p> <p>2. Passed the proposal on loans between the Company's wholly-owned subsidiaries.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting. The board resolved to complete the distribution of NT\$4,023,741,795 on July 30, 2019 and distribute NT\$4.459774 per share.</p>
2019.08.13 (15th meeting of the 3rd Board of Directors)	<p>1. Passed the amendments to the Company's Ethical Corporate Management Best Practice Principles.</p> <p>2. Passed the proposal for the bank credit limit for the Company and subsidiary companies.</p> <p>3. Passed the limit on the amount of endorsements/guarantee made by the Company to the subsidiary of the Company.</p> <p>4. Passed the 2018 remuneration distribution proposal for managerial officers.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2019.11.12 (16th meeting of the 3rd Board of Directors)	<p>1. Passed the Company's 2020 audit plan.</p> <p>2. Passed the proposal for the bank credit limit for the Company and subsidiary companies.</p> <p>3. Passed the Company's Ethical Corporate Management Operating Procedures and Code of Conduct.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2019.12.02 (17th meeting of the 3rd Board of Directors)	<p>1. Passed the capital increase proposal of a Chinese subsidiary company.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2019.12.27 (18th meeting of the 3rd Board of Directors)	<p>1. Passed the proposal for the bank credit limit for the Company and subsidiary companies.</p> <p>2. Passed the limit on the amount of endorsements/guarantee made by the Company to the subsidiary of the Company in 2020.</p> <p>3. Passed the loans and limit on loans and canceled a portion of loans to the Company and the Company's wholly-owned subsidiaries in 2020.</p> <p>4. Passed the Company's operating targets and budget for 2020.</p> <p>5. Passed the principles for the Company's 2019 performance evaluation and year-end bonus distribution for managerial officers (executives ranked Assistant Vice President and above).</p> <p>Opinions of the Independent Directors: None</p>

Date of Meeting	Key Resolutions and the Company's follow-up implementation
	<p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2020.03.10 (1st special board meeting in 2020)	<p>1. Proposal for issuance of new shares as consideration and for share conversion and issuance of new shares with BoardTek.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2020.03.30 (19th meeting of the 3rd Board of Directors)	<ol style="list-style-type: none"> 1. Passed the Company's 2019 Statement of Internal Control System. 2. Passed the amendments to the Company's "Board of Directors Meeting Policy." 3. Passed the amendments to the Company's Audit Committee Charter. 4. Passed the amendments to the Company's "Remuneration Committee Charter". 5. Passed the amendments to the Company's "Corporate Governance Best Practice Principles". 6. Passed the amendments to the Company's "Corporate Social Responsibility Best Practice Principles". 7. Passed the amendments to the Company's Ethical Corporate Management Operating Procedures and Code of Conduct. 8. Passed the amendments to the Company's Shareholders' Meeting Policy. 9. Proposal for the bank credit limit. 10. Passed the amendments to the Company's Articles of Incorporation. 11. Passed the Company's 2019 business report. 12. Passed the Company's 2019 consolidated financial statements. 13. Passed the Company's 2019 remuneration distribution proposal for directors and employees. 14. Distribution of earnings and cash dividends for 2019. 15. Proposal for the appointment and remuneration for CPAs. 16. Passed the adjustment to the remuneration distribution proposal for directors. 17. Proposal for re-election of directors and independent directors. 18. Proposal for nomination of director and independent director candidates. 19. Proposal for the removal of the non-competition restriction for new directors (including independent directors) and the persons entities they represent. 20. Passed the proposal regarding the time, place, and related matters for the 2020 general shareholders' meeting. <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>

3. Material Resolutions of the Audit Committee

Date of Meeting	Key Resolutions and the Company's follow-up implementation
2019.03.29 (10th meeting of the 3rd Board of Directors)	<p>1. Passed the Company's 2018 Statement of Internal Control System. 2. Passed the amendment to the "Procedures for Acquisition or Disposal of Assets" 3. Passed the amendment to the "Procedures for Engaging in Derivative Transactions" 4. Passed the amendment to the "Procedures for Making Endorsements and Guarantees" 5. Passed the amendment to the "Procedures for Loaning of Funds to Others" 6. Passed the Company's 2018 consolidated financial statements. 7. Passed the Company's 2018 earnings distribution proposal. 8. Passed the evaluation of the Company's certifying CPAs 9. Passed the proposal for the appointment and remuneration for the Company's certifying CPA</p> <p>Opinions of the Independent Directors: None Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations. The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2019.05.10 (11th meeting of the 3rd Board of Directors)	<p>1. Passed the 1st quarter consolidated financial statements for 2019. 2. Passed the Company's 2018 earnings distribution adjustment proposal.</p> <p>Opinions of the Independent Directors: None Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations. The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2019.06.21 (12th meeting of the 3rd-term Board of Directors)	<p>1. Passed the proposal on loans between the Company's wholly-owned subsidiaries.</p> <p>Opinions of the Independent Directors: None Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations. The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2019.08.13 (13th meeting of the 3rd Audit Committee)	<p>1. Passed the company's 2nd quarter consolidated financial statements for 2019. 2. Passed the limit on the amount of endorsements/guarantee made by the Company to the subsidiary of the Company.</p> <p>Opinions of the Independent Directors: None Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations. The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2019.11.12 (14th meeting of the 3rd Audit Committee)	<p>1. Passed the Company's 2020 audit plan. 2. Passed the company's 3rd quarter consolidated financial statements for 2019.</p> <p>Independent Directors' Opinions: None Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations. The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>

2019.12.02 (15th meeting of the 3rd Audit Committee)	<p>1. Passed the capital increase proposal of a subsidiary company.</p> <p>Opinions of the Independent Directors: None</p> <p>Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations.</p> <p>The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2019.12.27 (16th meeting of the 3rd Audit Committee)	<p>1. Passed the limit on the amount of endorsements/guarantee made by the Company to the subsidiary of the Company in 2020.</p> <p>2. Passed the loans and limit on loans and canceled a portion of loans to the Company and the Company's wholly-owned subsidiaries in 2020.</p> <p>Opinions of the Independent Directors: None</p> <p>Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations.</p> <p>The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>
2020.03.10 (1st special Audit Committee meeting in 2020)	<p>1. Proposal for issuance of new shares as consideration and for share conversion and issuance of new shares with BoardTek.</p> <p>Opinions of the Independent Directors: None</p> <p>The Company's response to the opinions of Independent Directors: Independent Directors had no opinions.</p> <p>Resolution: Passed by all Directors present at the meeting and implemented in accordance with the resolution and regulations.</p>
2020.03.30 (17th meeting of the 3rd Audit Committee)	<p>1. Passed the Company's 2019 Statement of Internal Control System.</p> <p>2. Passed the Company's 2019 consolidated financial statements.</p> <p>3. Passed the Company's 2019 earnings distribution proposal.</p> <p>4. Passed the evaluation of the Company's CPA.</p> <p>5. Passed the proposal for the appointment and remuneration for the Company's CPA.</p> <p>Opinions of the Independent Directors: None</p> <p>Resolution: Passed by all members of the Audit Committee and implemented in accordance with the resolution and regulations.</p> <p>The Company's response to the opinions of the Audit Committee: Review results were submitted/presented to the Board of Directors for resolution.</p>

4. Material Resolutions of the Remuneration Committee

Date of Meeting	Key Resolutions and the Company's follow-up implementation
2019.03.29 (6th meeting of the 3rd Board of Directors)	<p>1. Passed the Company's 2018 remuneration distribution proposal for directors and employees.</p> <p>Opinions of Remuneration Committee members: None</p> <p>Resolution: Passed by all members of the Remuneration Committee and implemented in accordance with the resolution and regulations. Actions taken by the company in response to the opinion of the Remuneration Committee: Presented in the board meeting and passed by all attending directors as proposed.</p>
2019.08.13 (7th meeting of the 3rd Audit Committee)	<p>1. Passed the 2018 remuneration distribution proposal for managerial officers.</p> <p>Opinions of Remuneration Committee members: None</p> <p>Resolution: Passed by all members of the Remuneration Committee and implemented in accordance with the resolution and regulations. Actions taken by the company in response to the opinion of the Remuneration Committee: Presented in the board meeting and passed by all attending directors as</p>

Date of Meeting	Key Resolutions and the Company's follow-up implementation
2019.12.27 (8th meeting of the 3rd Audit Committee)	<p>proposed.</p> <p>1. Passed the principles for the Company's 2019 performance evaluation and year-end bonus distribution for managerial officers (including Assistant Vice President and above).</p> <p>Opinions of Remuneration Committee members: None</p> <p>Resolution: Passed by all members of the Remuneration Committee and implemented in accordance with the resolution and regulations. Actions taken by the company in response to the opinion of the Remuneration Committee: Presented in the board meeting and passed by all attending directors as proposed.</p>
2020.03.30 (9th meeting of the 3rd Audit Committee)	<p>1. Passed the adjustment to the remuneration distribution proposal for directors.</p> <p>2. Passed the Company's 2019 remuneration distribution proposal for directors and employees.</p> <p>Opinions of Remuneration Committee members: None</p> <p>Resolution: Passed by all members of the Remuneration Committee and implemented in accordance with the resolution and regulations. Actions taken by the company in response to the opinion of the Remuneration Committee: Presented in the board meeting and passed by all attending directors as proposed.</p>

(XV) Dissenting or qualified opinion of Directors or the Audit Committee against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

(XVI) Any resignation or dismissal of the Company's Chairman of the Board, President, Accounting Director, Financial Director, internal audit manager, and research and development manager in the most recent year up to the publication date of this report: None.

IV. Information on CPA fees

(I) Table on the range of professional charge of the CPA:

Name of the Accounting Firm	Name of CPA			Audit Period	Notes
PricewaterhouseCoopers Taiwan	Yung-Chien Hsu	Min-Chuan, Feng		2019.01.01~2019.12.31	—

(II) The non-audit fee paid to the CPA, certified Office of CPA and affiliated enterprises account for over a quarter of the audit fee: None

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees				Audit Period (incl. complete fiscal years)	Remarks
			System Design	Business Registration	Human resources	Others		
PricewaterhouseCoopers Taiwan	Yung-Chien Hsu	5,000	—	—	—	—	2019.01.01~2019.12.31	—
	Min-Chuan, Feng							

Amount Range	Professional Fee		Audit Fees	Non-audit Fees	Total
	1	2			
1 Less than NT\$2,000,000				V	
2 NT\$2,000,000 (inclusive) to NT\$4,000,000					
3 NT\$4,000,000 (inclusive) to NT\$6,000,000			V		V
4 NT\$6,000,000 (inclusive) to NT\$8,000,000					
5 NT\$8,000,000 (inclusive) to NT\$10,000,000					
6 More than NT\$ 10,000,000 (inclusive)					

(III) The Company has switched accounting firms and the annual audit shared expenses are less than that of the previous year prior to the switch: None

(IV) The audit fee is reduced by over 15% compared with the previous year: None

V. Replacement of CPAs: None

(I) Information on the previous and succeeding CPA: None

(II) The detailed standards for evaluating the independence of CPAs are as follows: The CPA performs self-assessment using the Company's CPA Assessment and Performance Evaluation sheet, and submits the assessment result to the Audit Committee for evaluation and review. The evaluation standards are as follows:

Item	Specific Criteria	Evaluation Results	Meet Independence Requirements
1	The CPA does not have significant financial interest in his/her trustor.	No	Yes
2	The CPA and the trustor do not have any inappropriate relationship.	No	Yes
3	The CPA and assistants regularly participate in evaluations conducted by the industry association or other related organizations maintain their honesty, fairness and independence.	Yes	Yes

Item	Specific Criteria	Evaluation Results	Meet Independence Requirements
4	The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing.	No	Yes
5	The CPA may not permit others to practice under his/her name.	Yes	Yes
6	The CPA may not hold shares of the trustor.	No	Yes
7	The CPA may not engage in lending and borrowing of money with the trustor except for regular transactions in the finance industry.	No	Yes
8	The CPA may not engage in joint investments or benefit sharing with the trustor.	No	Yes
9	The CPA may not concurrently serve as a regular employee of the trustor and receive a fixed salary.	No	Yes
10	The CPA may not collect any commission related to his/her service.	No	Yes
11	No CPA's tenure has lasted for more than seven consecutive years and no CPA's reappointment is less than two years from replacement.	No	Yes
12	Does the CPA have experience in audits in related to the electronics industry?	Yes	Yes
13	Does the CPA communicate appropriately with the Audit Committee before the audit planning process and maintained records of such communication?	Yes	Yes
14	Does the CPA communicate with the Audit Committee frequently (e.g. before submitting audit reports) and maintained records of such communication? (At least twice each year)	Yes	Yes
15	Does the CPA propose recommendations regarding the Company's internal controls or business management to the Audit Committee?	Yes	Yes
16	The CPA did not receive letters from the competent authority for securities regarding adjustments and improvements for the quality of audits.	No	Yes
17	Can the CPA control the implementation of overseas audits to ensure consistency and validity of audits across the world?	Yes	Yes

VI. The Company's Directors, President, Managerial officers in charge of finance or accounting who have served in the CPA firm or its affiliated companies in the most recent fiscal year: None

VII. Equity transfer or changes to equity pledge of directors, managerial officers, and shareholders holding more than ten percent (10%) of company shares during the year prior to the publication date of this report:

(I) Equity transfer or changes to equity pledge of directors, managerial officers, and shareholders holding more than ten percent (10%) of company shares:

Unit: Shares

Title	Name	2019		As of April 21, 2020	
		Number of shares held increase (decrease)	Number of pledged shares increase (decrease)	Number of shares held increase (decrease)	Number of pledged shares increase (decrease)
Chairman	Chang-Fang Shen	200,000	—	—	—
Director	Foxconn (Far East) Limited	—	—	—	—
	Representative: Che-Hung Yu	—	—	—	—
Director	Wide Choice Investments Limited	—	—	—	—
	Representative: Te-Wang Hsiao	—	—	—	—
Director	Chiu-Fong Huang	—	—	—	—
Independent Director	John-See Lee	—	—	—	—
Independent Director	Chih-Chen Chou	—	—	—	—
Independent Director	Tung-Sheng Hsu	—	—	—	—
President	Ting-Chuan Lee	—	—	—	—
Accounting Executive	Jin-Ten Chang	(18,000)	—	—	—
Financial Executive	Tun Ling	—	—	10,000	—

(II) Equity transfer or equity pledge in which the counterparty is a related party: None

VIII. Shareholders who account for the top ten shareholder, who are related to each other or relatives within the relationship of spouse, second parent, etc.:

Top Ten Shareholder and Their Relationship with Each Other

Name	Current Shareholding		Spouse & Minor Children Shareholding		Shareholding in the name of others		The names or names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second parent.		Remarks
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %	Name	Relationship	
Foxconn (Far East) Ltd.	305,515,627	33.86%	0	0.00%	0	0.00%	None	None	-
Bureau of Labor Funds	29,253,587	3.24%	0	0.00%	0	0.00%	None	None	-
Nan Shan Life Insurance Co., Ltd.	23,070,000	2.56%	0	0.00%	0	0.00%	None	None	-
LGT Bank AG Co., Ltd.	18,375,000	2.04%	0	0.00%	0	0.00%	None	None	-
Cathay Life Insurance Co., Ltd.	14,616,000	1.62%	0	0.00%	0	0.00%	None	None	-
LGT Bank (Singapore) Ltd.	11,499,000	1.27%	0	0.00%	0	0.00%	None	None	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series	10,407,214	1.15%	0	0.00%	0	0.00%	None	None	-

Name	Current Shareholding		Spouse & Minor Children Shareholding		Shareholding in the name of others		The names or names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second parent.		Remarks
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %	Name	Relationship	
of Vanguard Star Funds									
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stitching Depositary APG Emerging Markets Equity Pool	9,541,397	1.06%	0	0.00%	0	0.00%	None	None	-
Saudi Arabian Monetary Authority - fund manager Schroders Investment Management Limited - administrator HSBC Bank Plc	9,378,315	1.04%	0	0.00%	0	0.00%	None	None	-
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	8,407,710	0.93%	0	0.00%	0	0.00%	None	None	-

IX. Number of shares held by the Company, its directors, supervisors, managerial officers and directly or indirectly controlled investment companies in the same investment companies, and the combined calculation of shareholding percentages:

December 31, 2019
Unit: Shares; %

Reinvestment Entities	Investment by the Company		Investments by the directors, supervisors, managerial officers, and companies directly or indirectly controlled by this Company		Combined investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Monterey Park Finance Limited	856,250,000	100%	—	—	856,250,000	100%
Zhen Ding Technology Co., Ltd.	12,548,800	100%	—	—	12,548,800	100%
Coppertone Enterprises Limited	102,785,806	100%	—	—	102,785,806	100%
Pacific Fair International Limited	2,133,300,000	100%	—	—	2,133,300,000	100%
Henley International Limited	1	100%	—	—	1	100%
Mayco Industrial Limited	9,321,841,932	100%	—	—	9,321,841,932	100%
FAT Holdings Limited	5,000	100%	—	—	5,000	100%
Garuda International Limited	56,799,990	72.82%	—	—	56,799,990	72.82%
Avary Singapore Private Limited	73	72.82%	—	—	73	72.82%
Avary Technology (India) Private Limited	52,154,042	72.82%	—	—	52,154,042	72.82%

Reinvestment Entities	Investment by the Company		Investments by the directors, supervisors, managerial officers, and companies directly or indirectly controlled by this Company		Combined investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Avary Japan Co., Ltd.	291	72.82%	—	—	291	72.82%
Pacific Stand Enterprises Limited (Liquidated on 2019/4/23)	1,820,513	72.82%	—	—	1,820,513	72.82%
Garuda Technology Co., Ltd.	1,825,513	72.82%	—	—	1,825,513	72.82%
Avary Holding (Shenzhen) Co., Ltd.	1,683,196,766	72.82%	44,002,465	1.90%	1,727,199,231	74.72%
Fu Bo Industrial (Shenzhen) Co., Ltd.,	(Note)	72.82%	—	—	(Note)	72.82%
Yun Ding Technology (Shenzhen) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Kui Sheng Technology (Shenzhen) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Yuding Precision Electronics (Huai'an) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Qingding Precision Electronics (HuaiAn) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%
Qi Ding Technology (Qinhuangdao) Co., Ltd.	(Note)	100%	—	—	(Note)	100%
Jiawei Industry (Huai'an) Co., Ltd.	(Note)	100%	—	—	(Note)	100%
Li Ding Semiconductor Technology (Shenzhen) Co., Ltd.	(Note)	70%	—	—	(Note)	70%
Zhanyang Automation (Dongguan) Co., Ltd.	(Note)	60%	—	—	(Note)	60%
Avary Holding Investment (Shenzhen) Co., Ltd.	(Note)	72.82%	—	—	(Note)	72.82%

Note: Except for Avary Holding (Shenzhen) Co., Ltd., all subsidiary companies in China are limited liability companies and not companies limited by shares.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Share Capital:

1. Source of capital

As of April 21, 2020; Unit: Shares; NT\$

Year and month	Issued Price	Authorized Capital		Paid-Up Capital		Remarks	
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital Shares	Authorization Date and Document Number
2006.06	US\$1	50,000	50,000	1	1	Capital stock at establishment	—
2006.09	-	500,000,000	500,000,000	-	-	Authorized capital increase	—
2006.10	US\$1	500,000,000	500,000,000	70,000,000	70,000,000	Cash capital increase	—
2007.10	US\$2	500,000,000	500,000,000	162,500,000	162,500,000	Cash capital increase	—
2009.10	US\$2.15	500,000,000	500,000,000	202,000,000	202,000,000	Cash capital increase	—
2010.10	-	1,600,000,000	16,000,000,000	646,400,000	6,464,000,000	The nominal value was changed from US\$1 to NT\$10	Tai-Zheng-Shang -2 No. 1000035056 dated November 1, 2011
2011.12	NT\$52	1,600,000,000	16,000,000,000	669,929,000	6,699,290,000	Cash capital increase	Jin-Guan-Zheng-Fa No. 1000056412 dated November 21, 2011
2012.08	NT\$10	1,600,000,000	16,000,000,000	703,425,450	7,034,254,500	Recapitalization of Retained Earnings	Tai-Zheng-Shang -2 No. 10100194981 dated August 30, 2012
2013.08	NT\$10	1,600,000,000	16,000,000,000	738,596,722	7,385,967,220	Recapitalization of retained earnings	Tai-Zheng-Shang -2 No. 1020015935 dated August 9, 2013
2014.08	NT\$10	1,600,000,000	16,000,000,000	738,631,065	7,386,310,650	Converted ECB to common shares	Tai-Zheng-Shang -2 No. 10300161141 dated August 7, 2014
2015.03	NT\$10	1,600,000,000	16,000,000,000	767,768,101	7,677,681,010	Converted ECB to common shares	Tai-Zheng-Shang -2 No. 10400061361 dated April 8, 2015
2015.04	NT\$10	1,600,000,000	16,000,000,000	804,748,359	8,047,483,590	Converted ECB to common shares	Tai-Zheng-Shang -2 No. 1040013225 dated July 6, 2015

Year and month	Issued Price	Authorized Capital		Paid-Up Capital		Remarks	
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital Shares	Authorization Date and Document Number
2019.03	NT\$10	1,600,000,000	16,000,000,000	902,229,887	9,022,298,870	Converted ECB to common shares	Tai-Zheng-Shang -2 No. 1040013225 dated July 6, 2015

As of April 21, 2020; Unit: Shares; NT\$

Type of Shares	Authorized Capital Stock			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	902,229,887	697,770,113	1,600,000,000	Listed on the Exchange
Total	902,229,887	697,770,113	1,600,000,000	Listed on the Exchange

2. Information regarding shelf registration: N/A

(II) Shareholder Structure

As of April 21, 2020

Shareholder Structure Amount	Government Institutions	Financial Institutions	Investment Institutions in China	Other Corporations	Foreign Institutions and Foreigners	Individual Investors	Total
Number of People	5	88	87	2	841	17,695	18,718
Shares Held (shares)	46,296,087	75,876,572	7,566,276	2,028,000	699,243,259	71,219,693	902,229,887
Shareholding Percentage (%)	5.13%	8.41%	0.84%	0.22%	77.50%	7.90%	100.00%

(III) Share Distribution

1. Common shares:

As of April 21, 2020

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1-999	1,958	257,043	0.03%
1,000-5,000	13,981	24,833,107	2.75%
5,001-10,000	1,123	9,002,451	1.00%
10,001-15,000	330	4,294,979	0.48%
15,001-20,000	225	4,199,369	0.47%
20,001-30,000	203	5,199,403	0.58%
30,001-40,000	111	3,979,489	0.44%
40,001-50,000	76	3,485,200	0.39%
50,001-100,000	216	15,482,980	1.72%

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding Percentage
100,001-200,000	164	23,450,189	2.60%
200,001-400,000	116	33,893,344	3.76%
400,001-600,000	48	23,604,858	2.61%
600,001-800,000	27	18,846,700	2.08%
800,001-1,000,000	25	22,491,653	2.49%
1,000,001 or more	115	709,209,122	78.60%
Total	18,718	902,229,887	100.00%

2. Preferred shares: None

(IV) List of Major Shareholders: Names, number, and percentage of shares held by shareholders with more than 5% of the shares or the top ten shareholders

As of April 21, 2020

Major Shareholder Name	Shares	Number of Shares Held	Ownership (%)
Foxconn (Far East) Ltd.		305,515,627	33.86%
Bureau of Labor Funds		29,253,587	3.24%
Nan Shan Life Insurance Co., Ltd.		23,070,000	2.56%
LGT Bank AG Co., Ltd.		18,375,000	2.04%
Cathay Life Insurance Co., Ltd.		14,616,000	1.62%
LGT Bank (Singapore) Ltd.		11,499,000	1.27%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		10,407,214	1.15%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool		9,541,397	1.06%
Saudi Arabian Monetary Authority - fund manager Schroders Investment Management Limited - administrator HSBC Bank Plc		9,378,315	1.04%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		8,407,710	0.93%

(V) Stock Price, Net Worth, Earnings, Dividends and Related Information in the Most Recent Two Years

Unit: NT\$; thousand shares

Item	Year	2018	2019
Market Price per Share	Highest	84.80	155.50
	Lowest	58.70	71.30
	Average	70.20	109.31
Net Value per Share	Before Distribution	69.66	74.44
	After Distribution	64.66	69.94

Item		Year	2018	2019
Earnings per Share	Weighted Average Shares		804,748	874,836
	Earnings per Share		10.50	9.93
	Cash Dividend		5.00	4.50
Dividends per Share	Stock Dividends	Stock Dividends from Retained Earnings	—	—
		Stock Dividends from Capital Reserve	—	—
	Cumulative Unpaid Dividends		—	—
Return on Investment Analysis	Price-to-earnings Ratio		6.69	11.01
	Price-to-dividend Ratio		14.04	24.29
	Cash Dividend Yield		7.12%	4.12%

Note: Distribution of earnings for 2019 is subject to approval of the shareholders' meeting.

(VI) Dividend Policy and Implementation Status

1. Dividend policy:

The Board of Directors, following an ordinary resolution in the shareholders' meeting or under conditions specified in Article 11.4(a) of the Articles of Incorporation, shall adopt a special resolution to distribute dividends to shareholders based on their shareholding percentage in compliance with the Articles of Incorporation and the instructions of the shareholders' meeting. The dividends can be partially or entirely distributed in cash, stocks, or various assets and the value of the assets shall be determined by the Board of Directors. The Company shall not pay interest on undistributed dividends.

Unless otherwise specified in laws, Article 11.4(a), Articles of Incorporation, or rights attached to shares, the Company may distribute earnings based on the Board of Directors' earnings distribution proposal that is passed in a ordinary resolution in the shareholders' meeting. Except for the Company's realized profits, premium share issuance account, mandatory reserves, reserves or other funds for paying dividends or other allocations, the Company may not distribute dividends or other allocations. All dividends and other allocations shall be calculated based on shareholders' shareholding ratios unless otherwise stated in the rights attached to shares. If the conditions for the issuance of shares requires the calculation of dividends to start from a specific date, the dividends for such shares shall be calculated accordingly.

Based on Article 13.5 of the Articles of Incorporation regarding the Company's decision on its dividend policy, the Board of Directors understands that the Company operates in a mature industry and the Company has stable revenues and healthy financial structure. Regarding the proposals for shareholders to approve dividends or other allocations (if any) in each fiscal year, the Board of Directors may:

- (1) Consider the Company's surplus, overall development, financial plans, capital requirement, industry outlook, and the Company's future development in each fiscal year to protect shareholders' rights and interests; and
- (2) The Company shall allocate dividends from the Company's surplus in each fiscal year for: (i) payment of related preparatory funds for taxes in the fiscal

year; (ii) make up for past losses; (iii) ten percent (10%) for the regular surplus reserve, and (iv) surplus reserve determined by the Board of Directors based on Article 14.1 or special surplus reserve required by the competent authority of securities for public companies.

(3) Under conditions of strict compliance with laws, the Board of Directors shall set aside no less than ten percent (10%) of the distributable amount as dividends for shareholders after distributing remuneration for employees and directors in accordance with Article 13.4 and setting aside an appropriate amount based on the dividend distribution policy in Article 13.5. The Company shall distribute the dividends after the proposal is passed in a resolution of the shareholders' meeting.

2. Accounting procedures for discrepancies between the estimated and actual distributed amount of compensations in the form of shares to the Company's employees and directors in this period:

The remuneration for employees and directors is calculated as per the standards specified in the Articles of Incorporation and it is calculated each year based on this principle. The differences between the amounts approved in the shareholders' meeting and the estimated amount, if any, are accounted for as changes in accounting estimate and are adjusted for accounting based on a resolution of the shareholders' meeting.

3. The Company shall establish procedures for determining the remuneration which shall be assessed based on the Regulations Governing the Evaluation of the Performance of the Board of Directors. In addition to the Company's overall performance, future risks in the industry, and development trends, the Company shall also consider personal contributions to the Company for providing reasonable remuneration. Related performance evaluation and the reasonableness of salary and remuneration shall be reviewed by the Remuneration Committee and the Board of Directors. They shall review the remuneration based on actual business operations and related laws to maintain a balance between sustainable management and risk management.

4. Implementation status:

The Company's 2019 earnings distribution proposal was approved by the Board of Directors on March 30, 2020. The Company proposed to distribute NT\$4.5 per share in cash dividends. Following the resolution of the Board of Directors, the 2019 earnings allocation shall be as follows:

Earning Distribution for 2019

Units: NT\$

Item	Amount
Net income after tax	\$ 8,685,202,303
Less: 10% general reserve	868,520,230
Less: Special reserve appropriated	2,066,390,840
Add: undistributed earnings in previous years	17,632,684,299
Add: unappropriated earnings adjustments for the current year	487,200
Retained earnings available for distribution for this year	\$ 23,383,462,732
Distribution Items	
Cash dividends (NT\$ 4.5 per share)	4,060,034,492
Accumulated undistributed earnings at the end of the period	\$ 19,323,428,240

Item	Amount
Note:	
1. As of December 31, 2019, the Company's outstanding shares were 902,229,887 shares.	
2. Pursuant to the Order No. Financial-Supervisory-Securities-Corporate-1010012865 of the Financial Supervisory Commission's Securities and Futures Commission, a special surplus reserve of the same amount should be included for the net amount of other shareholders' equity deducted for the current year. Later when the other shareholders' equity deductions have been reversed, the reversal in surplus will be distributed.	
3. The actuarial gains and losses of defined benefit plans are recognized in other comprehensive income (net), and is an adjustment for distributable earnings for the current year.	
4. Using the "total amount of after-tax net income for the period and other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period" as the basis for allocating statutory reserve can be applied to the 2020 earning distribution. The statutory reserve allocated in the previous year does not need to be adjusted retrospectively. (Reference to Order No. 1082432410 issued by Ministry of Economic Affairs)	
5. The amount of NT\$ is converted according to the balance of US\$, the functional currency.	
6. The cash dividends shall be calculated in NT\$ (allocated to NT\$1) in accordance with distribution ratio, and below NT\$1 will be rounded down.	

Chairman:
Chang-Fang Shen

President:
Ting-Chuan Lee

Accounting Executive:
Jin-Ten Chang

(VII) Impacts on the Company's Business Performance and Earnings Per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: N/A.

(VIII) Employee Compensation and Director and Supervisor Remuneration: The Company did not appoint supervisors and thus only discloses remuneration for directors.

1. Percentage or range of remuneration for employees and directors as stipulated in the Company's Articles of Incorporation:

If the Company "turned a profit" (definitions provided below) in the current year, it shall set aside half percent (0.5%) to twenty percent (20%) of the profit in the current year as compensation for employees. The recipients of employee compensation include employees of affiliate companies that meet certain criteria. The Company may set aside no more than half percent (0.5%) of the aforementioned profit in the current year as remuneration for directors (Article 13.4 of the Articles of Incorporation).

The Board of Directors may decide to use cash, the undistributed shares paid for with the cash amount, or both for the distribution of dividends for shareholders and compensation for employees. However, cash dividends shall account for no less than fifty percent (50%) of all dividends for shareholders. The Company shall not pay interest on undistributed dividends and remuneration (Article 13.7 of the Articles of Incorporation).

2. Information on the proposed employee compensation approved by the Board of

Directors:

- (1) The Company's 2019 earnings distribution proposal was passed by the Board of Directors which proposed the distribution of NT\$10,500,000 in remuneration for directors and cash remuneration of NT\$75,057,013 for employees.
- (2) For cash compensation and stock distributed to employees and remuneration for directors, if there is any discrepancy between an amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:

The Company's undistributed surplus in the current period shall be determined within a certain percentage range in accordance with the Articles of Incorporation after setting aside 10% for the regular reserve and other factors. The differences between the amounts approved in the shareholders' meeting and the estimated amount, if any, are accounted for as changes in accounting estimate and are adjusted for accounting based on a resolution of the shareholders' meeting.

- (3) The proposed employee stock remuneration allocation as a ratio of the net income for the period and the total employee remuneration: Not applicable.
- (4) Earnings per share after the proposed compensation/remuneration for employees and directors: NT\$9.93

3. Compensation/remuneration distributed to employees and directors in the previous year had no difference from the recognized compensation/remuneration for employees and directors.

Actual status: NT\$10,500,000 of remuneration for directors and NT\$77,338,535 of compensation in cash for employees.

(IX) Repurchase of Shares and Other Information: None

II. Issuance of Corporate Bonds

(I) Domestic corporate bonds: None

(II) Overseas corporate bonds:

The Company's overseas second unsecured convertible corporate bonds were issued from June 26, 2014 to June 26, 2019. The bond redemption and conversion messages are as follows:

1. The company redeemed US\$20,200,000.
2. The bondholders applied for US\$279,800,000 to 97,481,528 common shares.

III. Issuance of Preferred Stocks/Stocks with Subscription Rights: None

IV. Issuance of Overseas Depository Receipts: None

V. Issuance of Employee Stock Options: None

VI. Issuance of New Restricted Employee Shares: None

VII. Issuance of New Shares for Merger or Acquisition: None

VIII. Implementation of Capital Utilization Plans

The Company's overseas second unsecured convertible corporate bonds expired on June 26, 2019. There are no instances of incomplete issuance or completed issuance without yielding benefits in the past three years.

Chapter 5 Operational Highlights

I. Business activities

(I) Business scope

1. Major business activities:

Its main investment in manufacturing companies includes Avary Holding (Shenzhen) Co., Ltd. and Qiding Technology Qinhuangdao Co., Ltd. Avary Holding mainly produces PCB products and Qiding Technology Qinhuangdao Co., Ltd. mainly produces semiconductor-related products. Products are widely applied in mobile phones, tablet, personal computers, servers/storage devices, telecommunication equipment, and various consumer electronics products and equipment. The product applications are further extended to the automobile, industrial, medical, and aerospace sectors in recent years.

2. Operating proportion:

Unit: NT\$ thousands; %

Products	2018		2019	
	Amount	% of Total Revenue	Amount	% of Total Revenue
PCBs	117,912,881	100%	120,067,508	100%
Total	117,912,881	100%	120,067,508	100%

3. Current products and services:

- ◆ PCBs for mobile phones
- ◆ PCBs for personal computers
- ◆ PCBs for servers
- ◆ PCBs for tablets
- ◆ PCBs for gaming devices
- ◆ PCBs for graphic cards and modules in computers and consumer electronics
- ◆ PCBs for digital cameras
- ◆ PCBs for Bluetooth and Wi-Fi modules
- ◆ PCBs for wireless communication products
- ◆ PCBs for LCM modules
- ◆ PCBs for storage devices
- ◆ PCBs for telecommunications base stations
- ◆ PCBs for wearable devices
- ◆ PCBs for automotive electronics
- ◆ PCBs for smart home products
- ◆ Various PCB products

4. Plans for new product development:

- ◆ Research on the industrialization of multilayer flexible and rigid PCB products with high definition display interconnection
- ◆ Research on the industrialization of multilayer high-frequency hybrid PCB for vehicle-mounted radars
- ◆ Research on the industrialization and the Art of active embedded high-order rigid board and substrate-like products
- ◆ Research and development of flexible PCB with low-temperature optical welded thermo-sensitive sensor

- ◆ Research on the industrialization of 5G portable and tablet multilayer flexible low-loss PCB
- ◆ Research on the industrialization of HDI products with thin small LED display
- ◆ Research and development of next-gen 5G portable heat dissipation and low-loss HDI products
- ◆ Research on product industrialization and technical development of ultra-thin frame board products
- ◆ Research on the industrialization of high-order server technology and products
- ◆ Research on the industrialization of 8um embedded 5G high-end semiconductor substrate products
- ◆ Research on the industrialization of 40um core ultra-thin high-end semiconductor substrate products
- ◆ Research and development of pre-tinned FC-CSP semiconductor substrate products

(II) Industry overview

1. Current state and development of the industry

The Company is a professional company that specializes in the design, development, manufacturing, and sales of printed circuit boards (PCBs) for products such as mobile phones, tablet computers, personal computers, servers / storage devices, telecommunication equipment, and various consumer electronics products and equipment. Our products have been widely adopted in the automobile, industrial, medical, and aerospace sectors in recent years. The development of related end products is closely related to the Company's businesses. The current state of the industries for related applications of PCB products is described below.

(1) Current status and development of the PCB industry

A printed circuit board (PCB or PWB for printed wire board) is a board manufactured on general materials based on a predetermined design that forms connections between points and embedded with printed components. Its main function is to connect various electronic components to form connections between predetermined circuits and provide transmission functions. PCBs are key components in the assembly of electronic components. They provide electrical connections for electronic components and are responsible for the transmission of digital and analog signals, power supply, and sending and receiving radio frequency and microwave signals for electronic devices. They are necessary equipment for most electronic devices and products and they are therefore referred to as the "mother of electronic products".

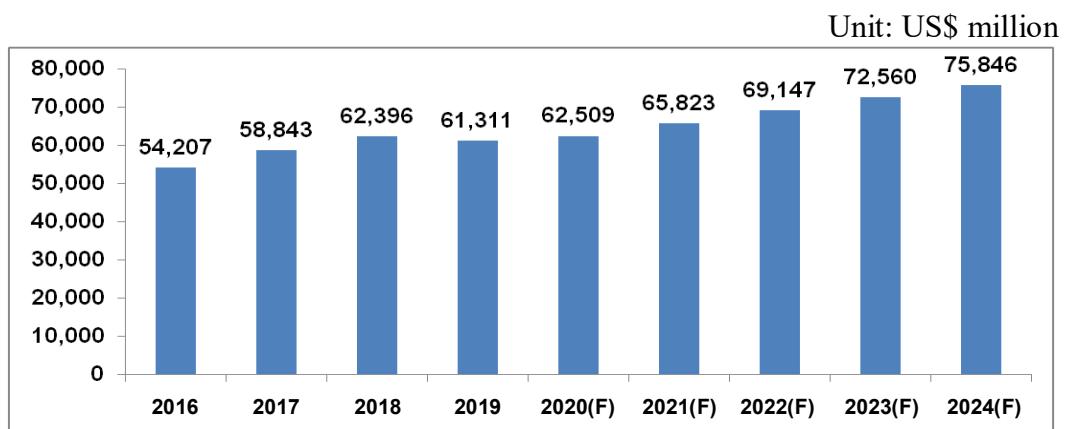
5G, Internet of Things, Internet of Vehicles, Industrial Internet of Things, and Artificial Intelligence are leading current trends and development for electronic products, while the development of PCBs is advancing toward properties of light-weight, thin, short, small, high-frequency, high speed, low pollution, low loss, low power consumption, multi-functional, precision, aesthetics, refinement, and intelligence. Product applications include but not limited to consumer electronics such as smartphones, smart watches, communication electronics, tablet computers, new energy vehicles, base stations, cloud servers, wireless communications, and smart home and smart city hardware products.

PCBs are key components for all electronic products and they are mainly used to mount electronic components and deliver information between various

electronic components. Products are widely adopted in wearable devices, communications, tablet computers, automotive electronics, servers/storage devices, Internet communications, personal computers, and various consumer electronic products.

According to Prismark's estimates, the global PCB revenue increased from US\$41.2 billion in 2009 to US\$61.3 billion in 2019 with a growth rate of 49%. An annual growth rate of 2.0% is forecasted in 2020 and the whole PCB industry will grow at a compound annual rate of 4.3% from 2019 to 2024.

Global PCB Market Revenue from 2016 to 2024



Source: Prismark (February, 2020) [Note]: Revenue for 2020-2024 are estimates

Growth in PCB output is in close positive correlation with the global economic growth rate. Changes in the global economy would therefore directly impact growth in the entire industry. Regional economic growth reflects the local demand for end-user products and causes indirect impact on the purchase orders of suppliers of related upstream applications. Therefore, regional economic development causes more direct impacts on the operations of individual operators.

The upstream raw materials of PCBs consist mainly of copper foil, copper-clad laminates, process chemicals and copper balls. Copper-clad laminates are the most important direct raw materials for PCBs. Copper accounts for the highest proportion of the materials and the fluctuation of copper prices on the international market have a profound impact on cost. Recent increase in the price of raw materials on the international market has caused tremendous pressure on cost for PCB companies.

Downstream industries that use PCBs consist of applications and products for end users and are thus susceptible to changes in the macroeconomic environment, market, and purchasing power. In addition, different PCB products have different applications and varying levels of price sensitivity. For consumer electronics products with short product life cycles, the prices of new products begin their downward adjustments as soon as they are launched. PCBs therefore have weaker price bargaining power. However, PCBs for certain special applications such as medical, industrial, or aerospace applications are less sensitive to price. PCBs are widely used for mobile phones, mobile communications base stations, tablet computers, personal computers, industrial computers, servers/storage devices, digital cameras, TVs, wearable devices, game consoles, home appliances, automotive electronics, medical equipment, robots, aerospace equipment, defense, military, etc.

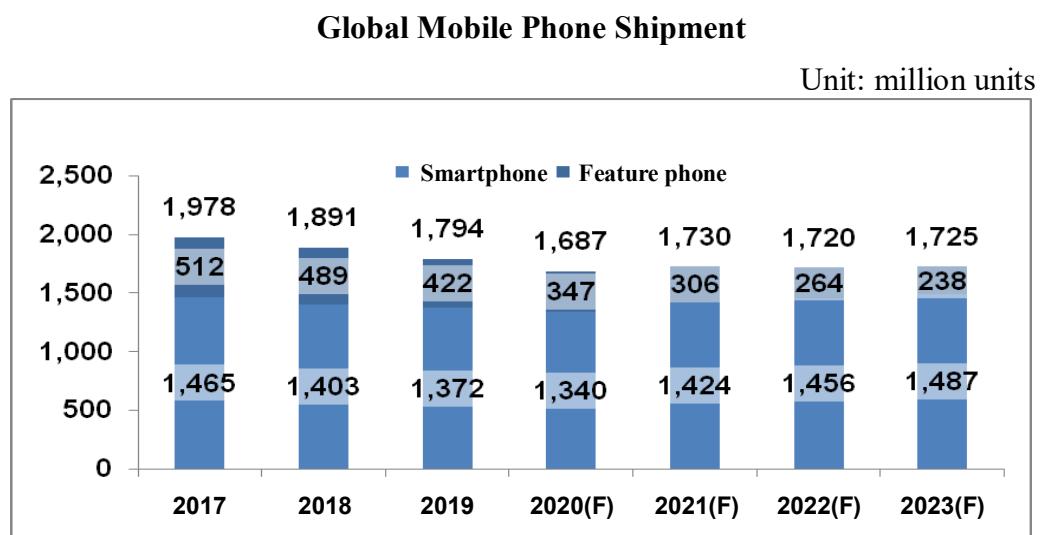
Taiwan occupies an important position in the global PCB industry. According

to Prismark data, China, Taiwan, Korea, and Japan's market shares in 2019 were 56.8%, 13.3%, 11%, and 9.1%, respectively. In terms of the place of production, approximately half of the world's PCBs are produced in China which has become the world's largest PCB production base. It is followed by Taiwanese PCB manufacturers with 13.3% in second place.

(2) Industrial development trends of main products

A. Mobile phone industry

The mobile phone industry consists of smartphones and feature phones. Compared to feature phones, smartphones have far superior computing power and functions. Smartphones have diverse functions such as data transmission, wireless Internet access, digital camera, voice assistant, audio and video playback, and biometrics which have become the mainstream trends in the development of mobile phone products. According to IDC research, global smart phone shipment reached 1.37 billion units in 2019. Global smart phone shipment is projected to reach 1.49 billion units by 2023, growing at a compound annual rate of 2.0%. Feature phone sales will continue to decline, with estimated drop from 420 million units in 2019 to 240 million units in 2023, growing at a compound annual rate of -13.3%.



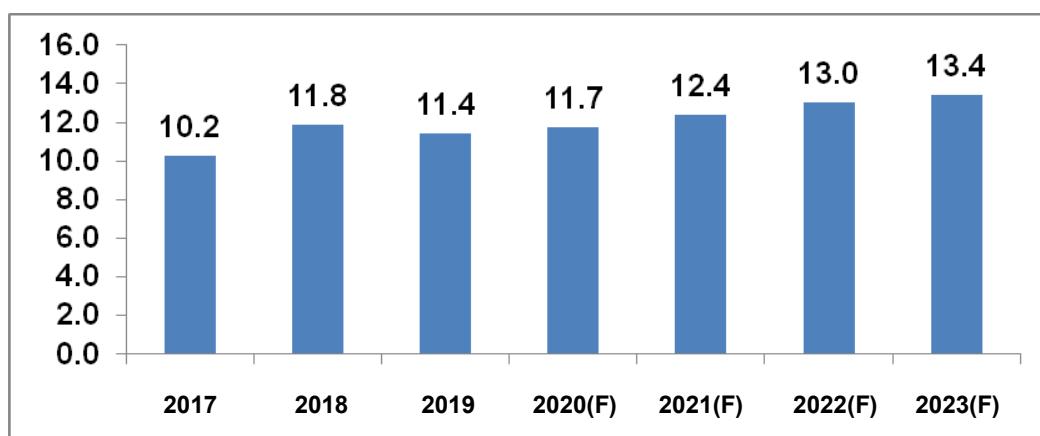
Source: IDC (February, 2020) [Note]: Shipments for 2020-2023 are estimates

B. Server and related industries

The emergence of AI, IoT, 5G, and other new applications increased demand for data storage and computing, contributing to continuous growth in the output of servers, storage devices, and related hardware equipment. According to IDC research, global server shipments reached 11.45 million units in 2019. Global server shipments are projected to reach 13.4 million units by 2023, at a compound annual growth rate of 4.0%.

Global Server Shipment

Unit: million units



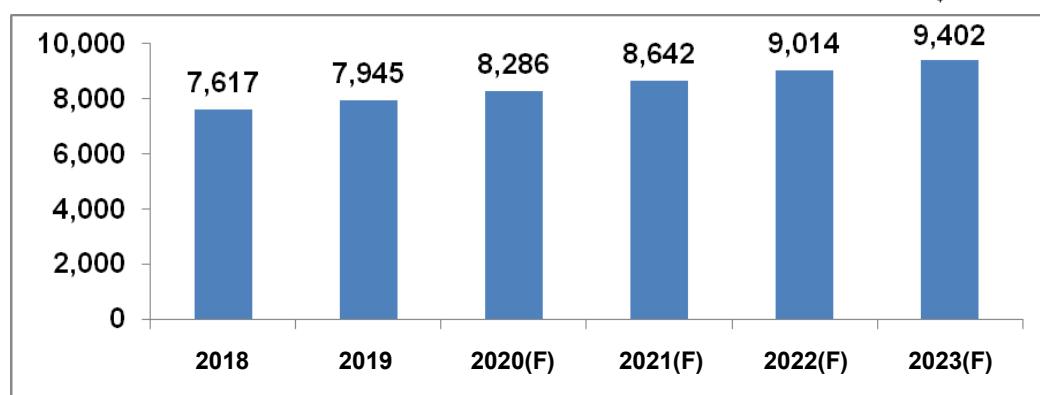
Source: IDC (March, 2019) [Note]: Shipments for 2020-2023 are estimates

C. Automotive electronics industry

The advancement of the global automotive industry from new-energy vehicles to autonomous vehicles has promoted the continuous growth of automotive PCBs as multiple PCB operators vied to invest in technologies to gain a share of the market. Although the application involves human safety and thus incurs long product certification schedules and high entry barriers, the products would generate stable growth in the Company's revenue once they are certified and shipped. According to the latest Prismark statistics, the revenue of global automotive PCBs in 2018 amounted to US\$7.6 billion and it is expected to grow at a compound annual growth rate of 4.3% from 2018 to 2023. It is set to reach US\$9.4 billion in terms of market revenue by 2023.

Global PCB Market Revenue

Unit: US\$ million



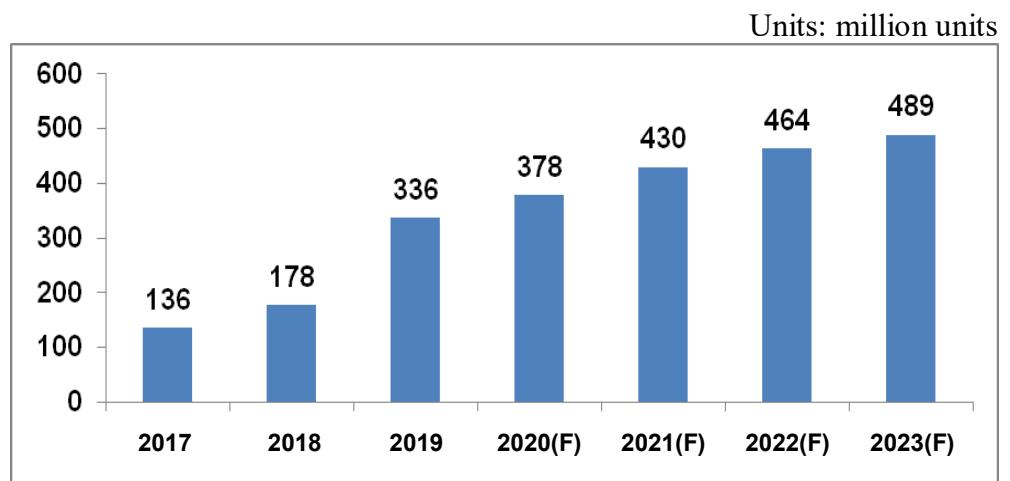
Source: Prismark (November, 2019) [Note]: Revenue for 2019 to 2023 are estimates

D. Wearable devices industry

As the development of wearable devices intensifies, the application markets gradually expanded. It started out from smart wristbands and now includes smart watches, smart clothing, head-mounted devices, earpieces, and various other products. The growth in sports and leisure wearable devices is the most significant while the potential for applications in the future healthcare sector is also highly anticipated. IDC estimates that the shipment of global smart wearable devices in 2020 may

reach 378 million units, a 23.8% growth from the 305 million units in 2019. It is expected to grow at a compound annual growth rate of 12.5% from 2019 to 2023.

Global Wearable Devices Shipments

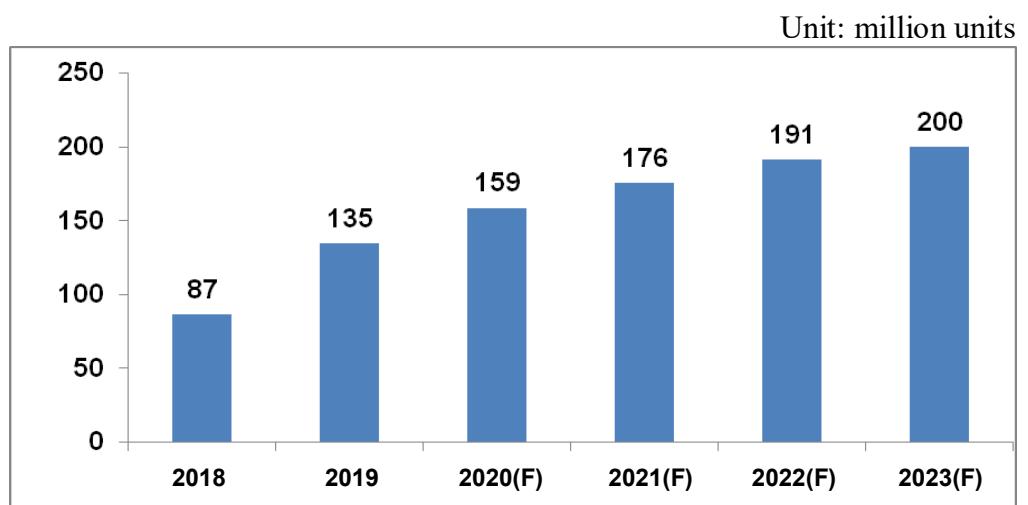


Source: IDC (February, 2020) [Note]: Shipments for 2020-2023 are estimates

E. Smart speaker industry

As audio recognition technology advances, smart speakers catered to audio interactions gradually found their way into homes as they connect and integrate with independent smart appliances. In the future, they shall not be confined to the smart home platform but will also connect industries to become indispensable elements in each sector. IDC estimates that global smart home devices will achieve substantial growth at a compound annual growth rate of 16.2% from 2018 to 2023. Smart speakers will exhibit the fastest growth, with shipments amounting to 135 million units in 2019, up 55.7% from the 87 million units in 2018. It is expected to grow at a compound annual growth rate of 18.2% from 2018 to 2023.

Global Smart Speaker Shipment



Source: IDC (October, 2019) [Note]: Shipments for 2019 to 2023 are estimates

(3) Competition

Continuous upgrade of electronics product applications and specifications accelerate advancements in PCB technology and intensify competition between large international PCB manufacturers in Taiwan, Japan, Korea, and China. The Company's existing and potential competitors leverage their advantages in finance, manufacturing, technology, marketing personnel, and marketing resources to enter the consumer electronics market while the Company focuses on a wide range of products and services as well as partnerships with long-standing customers. We seek to differentiate ourselves from competitors and prevent price competition.

The Company believes that our main competitors are companies that provide long-term services for leading brands in the consumer electronics market. These companies often have good relations with customers, highly competitive products, and the skills and capacity required for developing new products that lead the market. The Company's main competitors in various products include TTM, Mektron, Unimicron, Tripod, Suzhou Dongshan Precision Manufacturing, Compeq, HannStar Board Corp, SEMCO, Kingboard Holdings, AT&S, Young Poon, and other major players.

The Company focuses on a market with high levels of competition and change. It is particularly susceptible to the impact of rapid technological changes, evolving industry standards, continuous decrease in average prices, and high product replacement rate. Future competition will continue to intensify and the competition will not only come from existing competitors but may also come from other companies that enter our existing or future markets. Their solutions may be cheaper, perform better, or have more ideal functions than the Company's products. Consumer electronics PCB suppliers compete on the following competitive niches:

- ◆ Product quality, performance, and functions
- ◆ System integration level
- ◆ Technology R&D and execution
- ◆ Reliability
- ◆ Price
- ◆ Market time
- ◆ Market position and reputation
- ◆ Compliance to industrial standards
- ◆ Intellectual property rights
- ◆ Product development roadmap
- ◆ Customer service and support

Based on the aforementioned standards, the Company retains favorable conditions for competition. However, the Company's future competitive capacity is determined by whether we can establish, design, and launch new products that meet or foresee customers' demand for next-generation products and applications. In addition, the Company's competitive position will also be determined by whether we can continue to attract and retain talents and whether we can securely protect the Company's intellectual property rights. These are key factors to the Company's continuous growth and success.

(III) Overview of Technology and R&D

1. Technology level and R&D for operations

The Company upholds rigorous production management, basic scientific research, and high-quality technical services to provide high reliability, high performance, and high output that satisfy the demands of first-rate international companies and become one of the leading companies in the world. In addition, the Company is also constantly committed to product research and development and technological innovation. We cooperate with industry-leading customers to develop novel applications, gain accurate knowledge of mainstream markets, and satisfy customers' demands. We also leverage planned actions and management synergy to establish the Company as a role model among global PCB and semiconductor suppliers.

The Company keeps pace with time in providing comprehensive PCB and semiconductor products and services for industry-leading customers. As the development of 5G, AI, IoT, and IoV applications creates increasingly more demands for PCB and semiconductor customization for various end products, we provide customers with comprehensive solutions for the design, R&D, manufacturing, and after-sales services of PCB and semiconductor products. These solutions include consumer electronics, wearable electronics, communication technologies, automobile and biomedical electronics, and other applied PCBs based on different downstream applications. They are also widely adopted in smartphones, Internet equipment, tablet computers, wearable devices, laptop computers, servers, base stations, smart appliances, automobiles, and medical devices. We serve our customers with advanced production technologies and outstanding quality to win the approval of world-class manufacturers. The Company established a R&D team based on demands in the mainstream market. The team consists of members with PCB and semiconductor experiences and professional backgrounds in 5G communication and AI applications. The team is committed to research and development of high-end products to satisfy customers' demand for future products including flexible printed circuit boards (FPC), high density interconnection (HDI), rigid printed circuit board (R-PCB), substrate-like PCB (SLP), rigid-flex printed circuit boards (Rigid Flex), chip-on-film (COF), modular products, and related semiconductor products. We focus on technology innovation and development and establish a technology development roadmap in line with market trends and customer demands for current and future products to improve the Company's equipment and process capacity and create unique products and leading technologies, thereby improving customer satisfaction and our competitiveness in the market.

The Company actively develops patents to establish intellectual property rights to maintain its lead over competitors. As of December 31, 2019, the Company has accumulated 904 effective patents, including 395 in Taiwan, 363 in China, and 146 in the United States. We also continue to apply for patents for our R&D results in advanced technologies.

2. Specific results of technology and R&D

- (1) Mass production of multi-row fine-pitch board-to-board interconnected modular products
- (2) Mass production of multi-channel millimeter wave antenna transmission cable products
- (3) Mass production of highly reliable solid state drive boards
- (4) Mass production of multilayer liquid-crystal high-molecular millimeter wave

antenna products

- (5) Mass production of embedded ultra-thin wire semiconductor products
- (6) Mass production of semi-finished ultra-thin wire semiconductor products
- (7) Successful development of high-reflectivity high-definition monitor backlit circuit board
- (8) Successful development of high-rigidity localized micro-bend wearable products
- (9) Successful development of ultra-long flexible PCB
- (10) Successful development of allotype flexible rigid boards for high-resolution monitors
- (11) Successful development of HDI flexible rigid boards for earphones
- (12) Successful development of high-aspect ratio pore-filling electroplated flexible PCB
- (13) Successful development of cavity technique vehicle-mounted and USB-C connector boards
- (14) Successful development of hybrid stacked micro blind flange boards
- (15) Successful development of arbitrary-layer interconnected embedded copper heat dissipation boards
- (16) Successful development of ADAS vehicle-mounted products
- (17) Successful development of fine pitch thermo-tinned welding technology
- (18) Successful development of ultra-long pore technology for high-speed transmission
- (19) Successful development of optical communication modular rigid PCB
- (20) Successful development of ultra-thin high-rigidity camera flex rigid hybrid boards
- (21) Successful development of 5G flexible printed antenna board for laptop computers
- (22) Successful development of ultra low-loss PTFE-based antenna board
- (23) Successful development of periscope camera lens ultra-thin flexible PCB
- (24) Successful development of high-density dry interconnection technology
- (25) Successful development of low-noise long short gold finger server products
- (26) Successful development of high precision backdrill plug hole server products
- (27) Successful development of high-frequency hybrid 5G rigid printed products
- (28) Completed setting up of ultra high-aspect ratio rigid printed electroplating technology
- (29) Successful development of 0.15 pitch flip chip pre-tinning technology
- (30) Successful development of ultra-thin core semiconductor process

(IV) Long and short-term development strategies and plans

1. Short-term development strategies and plans

(1) R&D strategies and plans

The Company is committed to environmental protection and green processes in response to product development trends and directions. We continue to develop advanced process technology and high-performance and cost-effective materials to lead the industry and strengthen our core competitiveness. Our short-term R&D plans focus on technologies that satisfy customer demands including low-loss high frequency 5G material and product measurement technology, 5G base stations, antenna board technology, medium and small size LED materials and technology, multi-layer interconnection and active embedding technology, optical welding thermo-sensitive technology, vehicle-mounted radar board technology, high-order heat dissipation and high-frequency transmission interconnection

board technology, active embedded SLP technology, ultra-thin framework interconnection board technology, semiconductor 8/10 embedded board technology, and semiconductor ultra-thin core technology to diversify product line, expand business, and improve the Company's competitive advantages.

(2) Production strategies and plans

The Company shall continue to expand production capacity in all plants based on customer requirements and the plants shall also focus on the product types and customers established in the plans. Product development and production strategies shall be established for each plant based on the Company's annual sales strategy. We shall focus on both purchasing high-end production equipment in response to product upgrade and expanding new capacity based on customer demand and orders. We added investment plans for Shenzhen, Huai'an, and Qinhuangdao plants and the investments shall be executed in accordance with the plans as well as market and order status in the next quarter.

(3) Operation and finance strategies and plans

- 1) Maintain suitable short-term liquidity funding levels to meet business requirements and secure company operations.
- 2) Use financial products to evade risks of uncertainty and reduce the impact of the exchange rate to respond to exchange rate fluctuations.
- 3) Adopt unified price negotiation and centralized procurement for equipment, raw materials, and consumables of each plant to effectively reduce overall operating costs.

2. Long-term development strategies and plans

(1) R&D strategies and plans

The Company is focused on long-term participation in customers' preliminary product research, development, and design. We seek to use innovation and R&D to guide customers and commit resources to developing new products, new technologies, new materials, new manufacturing processes, and new equipment that meet customer demands. In addition to R&D, the Company has also established a platform for cooperating with industries, the government, academia, and research institutes to engage in advanced technological R&D projects. We have also established a technological R&D center to work on R&D projects with more than 18 prestigious universities and two research institutes in Taiwan, China, Hong Kong, and Macau, including ITRI, Tsinghua University, Chiao Tung University, Cheng Kung University, Chung Hsing University, Taiwan University of Science and Technology, Chung Yuan University, Feng Chia University, and related departments in China's Tsinghua University, Nanjing Southeast University, Shenzhen University, and Guangdong University of Technology. R&D works are aimed at increasing the depth and width of technological developments and integrating up/mid/downstream industries to develop new models and achieve independence in key technologies. Concurrently, the Company has established dedicated units to carry out technology investments and research and achieve the strategic goal of developing technologies and materials independently, so that we may strengthen the Company's core technologies, guide customers in long-term partnerships, fully satisfy customers' demands for new products, and continue to create win-win conditions for mutual prosperity.

(2) Production strategies and plans

- 1) Maintain long-term partnerships with strategic partners and jointly develop new materials, new equipment, and new technologies. Proceed with joint development of process with special functions and strengthen the development automation equipment to lower production cost and develop high-quality and high-functionality products.
- 2) Select long-term strategic partners for non-core processes and leverage the capacity of partners for single specialized processes to increase production efficiency, lower cost, improve yield, and enhance overall competitiveness.
- 3) Establish two R&D centers in Taiwan and China and continue to improve the capacity for developing new technologies and maintain leading advantages in high-end products and technologies.

(3) Operation and finance strategies and plans

- 1) Uphold a people-oriented corporate philosophy and core values for integrity, responsibility, and excellence to build world-class business management capabilities, recruit talents, and achieve world-class performance in R&D, production, markets, marketing, and operation management.
- 2) Strengthen environmental protection and industrial safety risk management and implement services and corporate ideals for speed, equal quality, technology, efficiency, cost, and added value.
- 3) Develop the Company's comprehensive PCB industrial platform and jointly develop new products, new technologies, new equipment, new materials, and new processes with the Company's partners in production technology, equipment, and raw materials as well as professional research institutions. Provide brand companies and professional electronics OEM companies with high-quality and cost-effective PCB design, development, manufacturing, and sales services.
- 4) Plan long-term fundraising activities, repay matured long-term debts, and implement suitable adjustments to long-term liability ratios.
- 5) Control suitable financial leverages based on the Company's operations and growth while retaining sufficient cash reserves to respond to future demand in cash flows.

II. Market, Production and Sales Overview

(I) Market analysis

1. Sales regions for major products

Unit: NT\$ thousands

Sales Regions	2018		2019	
	Amount	Percentage	Amount	Percentage
USA	81,805,602	69.38%	78,179,028	65.11%
China	23,946,317	20.31%	28,111,801	23.41%
Taiwan	5,637,193	4.78%	6,994,641	5.83%
Others	6,523,769	5.53%	6,782,038	5.65%
Total	117,912,881	100.00%	120,067,508	100.00%

Note: Geographical information on the Group's revenue is shown based on the countries of customers.

2. Market share

Based on comparison with statistics on major competitors' revenue in 2019, the Company's revenue has exceeded NT\$100 billion for three consecutive years and we became the world's largest PCB plant. However, our market share is still only 6.3%, which demonstrates the high level of competition in this market. The Company has an exceedingly high demand for product process technology and a wide range of applications. We have leveraged our technical advantages and explored sectors such as mobile phones, wearable devices, tablet computers, automotive electronics, game consoles, servers/storage devices, and Internet communications.

3. Future market supply/demand and growth

In terms of the concentration of the industry, there are more than 2,000 PCB manufacturers across the world with close to 1,000 in China where the overall output in the circuit board industry is rapidly increasing. As environmental protection legislation in all countries grow stricter and the demand for circuits grows increasingly refined, it has become apparent that there are fewer large-scale companies with the capacity for providing high-tech and high-quality products while meeting requirements in environmental protection legislation. According to Prismark statistics, the top 30 PCB companies accounted for 50.9% of the revenue in the industry in 2011. The proportion reached 63.3% by 2019, demonstrating a visible trend toward consolidation and survival of the largest companies.

As global economy gains steady growth, consumers' purchasing power for electronics products also strengthened and emerging countries' demand for electronics products also increased. Coupled with development in applications for new technologies, the scale of the PCB market is expected to continue growth. According to Prismark's forecast in February 2020, the global PCB market scale will grow at a compound annual growth rate of 4.5% from 2019 to 2024 and reach US\$75.85 billion by 2024. The outlook of the PCB industry remains optimistic in the next few years.

4. Competitive edge

The industry is a basic industry in the electronics sector and it provides key components for all electronics systems and products. The industry provides functions for mounting and connecting electronics components that ensure the operations of system products. The Company's competitive niches include the following:

- (1) Establishment of a one-stop supply platform for brand companies with entire product lines for various PCBs.

The Company designs, develops, manufactures, and sell PCBs with different materials, electrical components, and functional designs. We have distinct production processes and mass production management methods. The Company has accumulated years of patents, technologies, and professional know-how to fully understand and satisfy customer demands and to provide specific customers with rapid design, development, sample production, and ramp-up services within a short time. We assist customers in shortening product launch schedule and take the initiative on the market. We help customers by building a successful operation model of Time to Market + Time to Volume + Time to Money / Market share.

The Company has invested massive amounts of resources in various PCB

engineering R&D and process development. We can therefore cooperate with companies and provide system brands companies with up-to-date and high-quality products. We shall continue to expand based on our past records. Most popular electronics products on the market in a given year use products provided by the Company to our customers. We help system brand companies achieve success with their products on the global market. We take the lead in industry trends and significantly reduce product launch time. The Company also plans to use our advantage of the proximity of our plants to customers and develop specific new technologies, materials, and equipment for specific customers in order to expand product portfolio and satisfy customer demands for one-stop procurement. We believe that, compared to competitors, we are a professional global company with product design, development, manufacturing, and sales expertise and our comprehensive product capacity will help maintain solid and long-term strategic partnerships with system brand companies.

- (2) Maintain solid and close business partnerships with leading global brand customers and electronics OEMs.

The Company has always provided customers with flexible and high-quality customized manufacturing services and built long-lasting partnerships with customers. The Company's main customers are all well-known international companies, electronics OEMs, and innovators in advanced technologies. By cooperating with customers in joint product research and development, the Company continues to strengthen and refine our technology platform. We also leverage the Company's expertise in R&D and focus on developing technologies and enhancing engineering services to satisfy customer demands and gain knowledge of market trends and business opportunities for new products.

- (3) Direct purchase orders and participation in design and development of brand customers (JDVM/JDSM)

The Company's main orders are issued directly by major electronics system brands or main electronics OEM companies across the world. The Company participates in the Early Involvement phase for product design and ensure that all mass production after products is launched to satisfy customer demands. We thus form close partnerships with major electronics system brands or main electronics OEM companies across the world and establish lasting and stable business alliances. With regard to competitors, most companies either lack the capacity for providing independent OEM services to global brand customers or leading OEM companies or they may have insufficient engineering service capacity or lack the flexibility or production capacity that customers need. Therefore, many companies obtain orders from agents and only position themselves as production plants. The customer relations and prices in this business model are controlled by the agent. The manufacturers are only the production plants which have no significant added value and are highly replaceable. Order cancellations and bankruptcy are common issues.

- (4) Experienced operations and management team with capacity for consecutive years of high-speed growth

Our management team has extensive experience in the industry and the executives of main product business units have practical management experience. An operations and management team with capacity for implementation is the Company's key to success. After the holding company

was established in 2006, we successfully focused on the main customers and assisted the customers in promoting its products across the world in 2007. The operations and management team then formulated strategies to expand operations and product development and to establish new plants. They led the Company's rapid expansion while improving core engineering and technology capacity. We later became the main supplier of various PCBs used by global leading mobile phones, laptop computers, tablet computers, game consoles, digital cameras, and digital books. Under the professional leadership of the operations and management team, the Company's revenue surpassed NT\$100 billion for the first time in 2017 and we became the world's largest PCB supplier.

Since the establishment of the Company, we have recruited many engineers with good academic backgrounds and extensive experience in the industry. We organized diverse operations and management teams and grew from a medium-sized company to a large professional company with a full product line and comprehensive capacity that operates in plants in four provinces in China and conducts businesses across the world.

(5) Cross-strait cooperation strengthens competitive advantages

As traditional products mature, the Company has concentrated on high-end products for new product development in recent years. We use automation to replace labor cost which has risen continuously in China. We also continue to optimize the product portfolio and use engineering development capacity as our core competency to provide customers with product designs and innovation to grasp business opportunities on the market. The Company actively uses high-quality human resources and engineering technology to develop high-end PCB products and focuses on the Company's technical development roadmap with the aim of helping customers maintain leading positions in technology and R&D capacity.

Our subsidiaries in China integrate engineering and R&D resources of the plants and focus on related technology that can be used for customers' future mass production to improve product performance as well as production efficiency and yield. Engineering units focus on improvements for process and replacement of raw materials/consumables in the production process of current products. They aim to reduce production cost, improve yield, and provide customers with more advantages in production in terms of cost and flexibility. The effective cross-strait cooperation model encompasses the technology development required for the Company's development growth in all stages and effectively builds comprehensive product development capabilities.

5. Favorable and adverse factors for long-term growth and response strategy

(1) Favorable factors

1) Stable industrial development

The wide range of applications for PCBs, rapid expansion in smart devices in recent years, increase in the scale of online communication industries due to continuous growth in the cloud computing market, and applications for automotive electronics and IoT have contributed to forecasts of steady growth in the global consumer electronics product, computer, communications, automobile, and semiconductor industries. Industries related to these industries therefore maintained stable growth.

According to Prismark data, the compound annual growth rate of the global PCB industry from 2019 to 2024 will be 4.3% and the market exhibits stable growth.

The Company's product strategy centers on providing high-quality and comprehensive PCB products and we adjust our product portfolio based on industrial development trends at all times. We also integrate R&D and order acceptance in Taiwan and allocate production capacity in China to facilitate flexible orders and production and maintain optimal competitive advantages.

- 2) Comprehensive development in the industry with comprehensive production bases in key economic areas in China

Related operators in the PCB industry are concentrated in Taoyuan in Northern Taiwan and they have formed comprehensive supply chains in the Yangtze Delta in East China and Pearl River Delta in South China where upstream and downstream plants and various suppliers congregate and accumulate a significant amount of competitive strengths. Bohai Economic Rim recently became a highlight in economic growth in China. Industrial clusters quickly formed and the most prominent clusters included the "Five Points One Line" stretching from Beijing and Tianjin to Liaoning.

The Company has established large-scale production bases in key economic development areas in China including Pearl River Delta in South China, Yangtze Delta in East China, Beijing, Tianjin, and Hebei. Recently, we also incorporated a new manufacturing site in India. We aim to closely meet the needs of our customers by providing, consistent high-speed, technically efficient, cost-effective, value-added, environmentally friendly, and industrial safety PCB design, development, manufacturing, and sales services. The Company differentiated itself from competitors by implementing comprehensive development in Taiwan, South China, East China, North China, and India economic regions to provide customers with convenient, diverse, flexible, and customized manufacturing services.

- 3) Grasp opportunities based on optimistic outlook for the consumption market in China

The Chinese market is the world's most important and vibrant market with the most rapid growth. The high efficiency of the Chinese government, comprehensive infrastructure, and high-quality human resources make China a key target for global brands and give birth to Chinese brands. As an example, the scale of its mobile phone market is the largest in the world and local brands continue to grow. As the Company is one of the few companies with product design, development, manufacturing, and sales capacity, it naturally became an important partner for Chinese mobile phone brands. In addition, opportunities in the Chinese consumption market can also be found in the information and computer sector and telecommunications sector which help the Company's development.

- 4) A sound management system

The Company's operations and management system have evolved over the years and we have formed a sound operation and management style

that upholds strict management systems and cost control with the aim of achieving reasonable cost control, optimal resources allocation, and stable quality.

The Company obtains stable sources of raw material supply and price bargaining powers by integrating the Company's resources. Our management system and performance have received recognition from customers and we have established a good reputation in Taiwan and abroad to increase the Company's business expansion capacity. Business performance of top companies across the world relies on a foundation of corporate management skills in order to achieve sustainability. The Company's management teams adopted "Technological development for the benefit of mankind; "Protect the environment and make the Earth a better place" as the Company's motto.

(2) Unfavorable factors and the response measures

1) Rise of environmental protection awareness in China leads to increase in operators' green expenditures

China provided many investment incentives in the past to encourage foreign companies to set up plants in China. The investments have powered economic growth in the country but also polluted the environment. As such, China has established more rigid environmental protection regulations in recent years and increased the level of implementation while imposing rigid controls on the issuance of wastewater effluent licenses. As large amounts of water and chemical substances are required in the production of PCBs, effluent and waste would impact the environment if they are not processed in professional procedures. In response to such impact, China announced the "Action Plan for Prevention and Control of Water Pollution" in April 2015 and launched environmental protection tasks in the "Made in China 2025" initiative in May of the same year. China amended the "Amendments of the Hazard Waste List" in March 2016, "amended the "Industrial Company Energy Conservation Management Regulations" in April 2016, and promulgated the "Action Plan for Prevention and Control of Soil Pollution" in June 2016. It established specific targets as management indicators for waste transportation and classification management for industrial companies, company energy conservation and carbon emissions reduction control, and water and soil pollution in areas near companies. The government also strengthened related penalties including plant closure or suspension of production on the day of discovery for the most severe violations and high penalties.

In March 2017, China proposed the key problems in managing haze-fog pollution and the Plan for Winning the Blue Sky War, and subsequently published the 13th Five-Year Plan for Environmental Protection and Development in April. After the 19th National Congress of the Communist Party of China in October, the plan of building ecological civilization for the development of China was written into the Chinese constitution as part of the national development process, thus providing a clear implementation direction for the development of environmental protection in the future. In November of the same year, the scope of operation of the Central Committee of the CCP Environmental Protection Supervision Committee has expanded to include 31 provinces of China

(excluding Hong Kong, Macau, and Taiwan). In March 2018, the Ministry of Ecology and Environment initiated seven major environmental protection actions to crack down on pollution prevention. In May, the nationwide Ecological Environmental Protection Conference was convened to establish the general concept of an ecological civilization. In July, the Three-year Action Plan for Winning the Blue Sky War was published. In August, the Three-Year Action Plan for Ecological and Environmental Monitoring and Quality Supervision (2018-2020) was established, and the Soil Pollution Prevention Law was passed on August 31.

On January 1, 2019, China enforced the Soil Pollution Prevention and Control Law, its first set of laws for preventing soil pollution. In January, the Pilot Work Plan for the Construction of "No Waste City" was printed and distributed. The plan serves to steadily promote the pilot work of building a "no waste city". In March 2019, the Technical Specification for Application and Issuance of Pollutant Permit - Electronics Industry (Opinion Seeking Draft) was announced. In June, the Ministry of Housing and Urban-Rural Development announced that every Chinese city at the prefecture level and above must practice garbage sorting. In July, the Regulation of Household Waste Management of Shanghai was enacted, and the second round of the first batch of China's ecological environmental protection supervision was launched. In November, the Ministry of Housing and Urban-Rural Development released the classification signs for municipal solid waste. In 2020, the Chinese government intends to promote garbage sorting nationwide and achieve the goal of building household garbage processing systems in 46 cities by 2020.

In conclusion, China's continuous enhancement of environmental protection legislation and law enforcement shows high levels of focus on environmental protection issues and it also implements stricter penalties on violations of environmental protection regulations. At the same time, energy conservation and consumption reduction requirements have become mandatory targets for companies. The policy of integrating economic development with environmental protection will have profound impact on the PCB industry. Certain small and medium-sized manufacturers or plants that do not comply with environmental protection regulations will be forced to reduce production or cease operations.

Response measures

The Company actively introduced high-performance, low-pollution environmental protection equipment and advanced innovative green technology to improve wastewater recycling rate, reduce waste production, and promote green upgrade in process optimization. The departments have actively implemented Zhen Ding's Seven Greens KPI goals for green innovation, green procurement, green production, green operations, green services, green renewable resources, and green life. Our efforts not only meet global trends and Chinese environmental protection regulations but also fulfill our corporate social responsibilities.

In addition, China's gradual shift to green trends and sustainable ecological development will cause significant impact on expansion in the

PCB industry. The Company has taken early steps to disperse production capacity along the coast to the Bohai Economic Rim (Qinhuangdao in Hebei) and Northern Jiangsu (Huai'an, Jiangsu) in 2007. We have obtained sufficient wastewater effluent volume for the new parks to ensure favorable conditions for the Company's continuous growth.

2) Homogeneous products and price wars threaten industry development

Domestic PCB manufacturers are affected by development trends in the upstream electronics industry and they have concentrated product applications excessively on information and communication products. The industrial cluster effect also contributed to gradual reductions in production capacity and technical entry barriers, leading to an increase in the number of competitors in the industry. During periods of economic downturn or slowdown in growth, PCB operators face tightened profit margins and fall into the trap of price wars which cause difficulties in company operations and increase risks of operations.

Response measures

The Company rates and classifies target customers and allocates resources to main customers. We also actively pursue target customers and use high quality and outstanding services to replace price wars. In addition, we also enter markets for new applications and develop products with high margins. Despite the long learning curve, the relatively high technical entry barriers lead to fewer competitors, reduce downward pressure on prices, and maintain stable profits for companies.

The Company allocates production capacity, implements division of labor between plants, adjusts production capacity for different customers, and forms strategic alliances with suppliers and customers to diversify operations and disperse operational risks. The Company is a comprehensive PCB supplier and is thus able to implement flexible adjustments in our product portfolio strategy. In terms of high-end products, we cooperate with customers for joint development to understand development trends for future products and we leverage our advantages in mass production, technology, and abundant supply of materials to maintain strong and stable business relations with customers.

In addition, we strengthen price bargaining power against upstream raw materials suppliers to effectively reduce cost on raw materials and maintain product competitiveness. Measures such as enhancing automation of production equipment, improving employees' overall qualifications, and training workers with multiple skills help improve productivity per capita and maintain the Company's overall competitiveness.

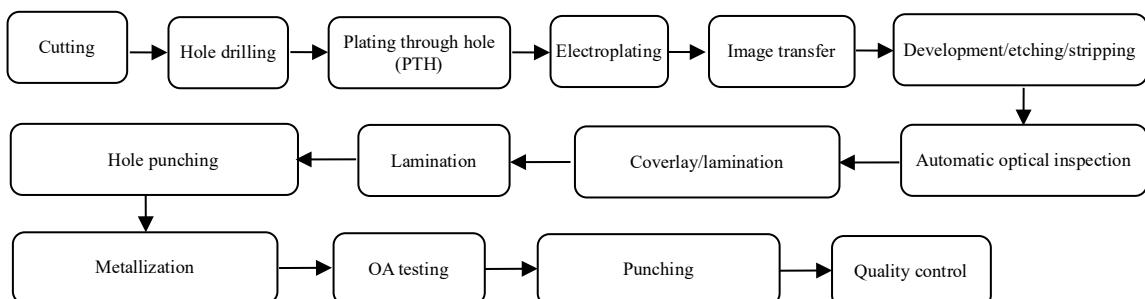
(II) Usage and Manufacturing Processes of Main Products

1. Major applications of main products

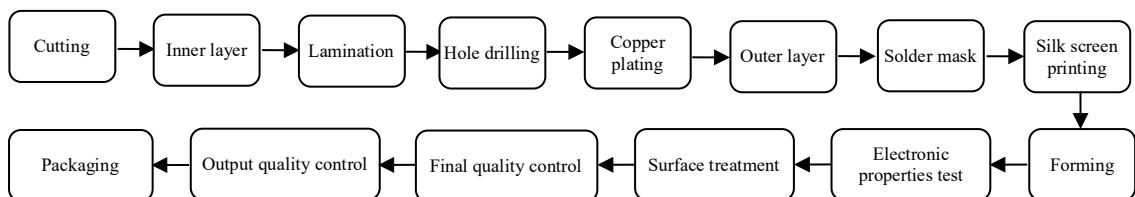
Main Products	Characteristics	Important Applications
Rigid PCBs	Inflexible, wide range of thickness, high-current capacity	Automotive electronics, servers/storage devices, desktop computers, laptop computers, monitors, hard drives, TVs, game consoles, etc.
Flexible PCBs	Flexible, bendable, light-weight, thin	Wearable devices, mobile phones, tablet computers, laptop computers, digital cameras, handheld game consoles, TFT-LCD panels, touch panels, etc.
High-density Interconnect PCB	Small, high-density circuit distribution, high transmission efficiency	Wearable devices, mobile phones, tablet computers, ultra-thin laptop computers, digital cameras, handheld game consoles, etc.
IC Substrate	Lighter, smaller, superior quality stability and signal channels	Application processors, baseband chips, power management chips, NFC chips, RF chips, graphics chips, power amplifiers, flash memory, MEMS, etc.

2. PCB production process

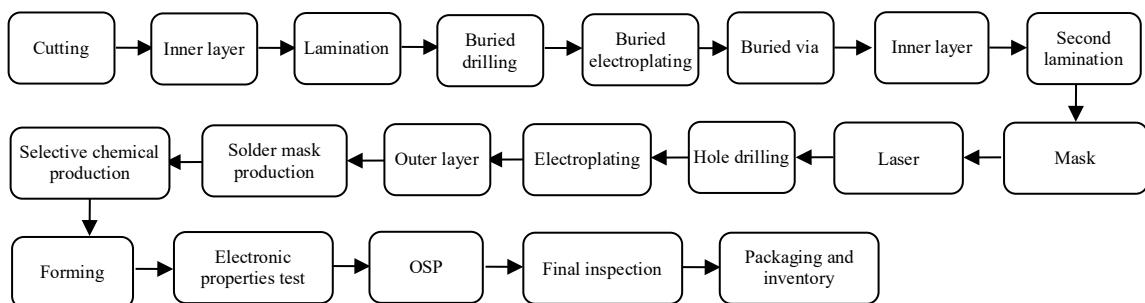
(1) Flexible PCB production process



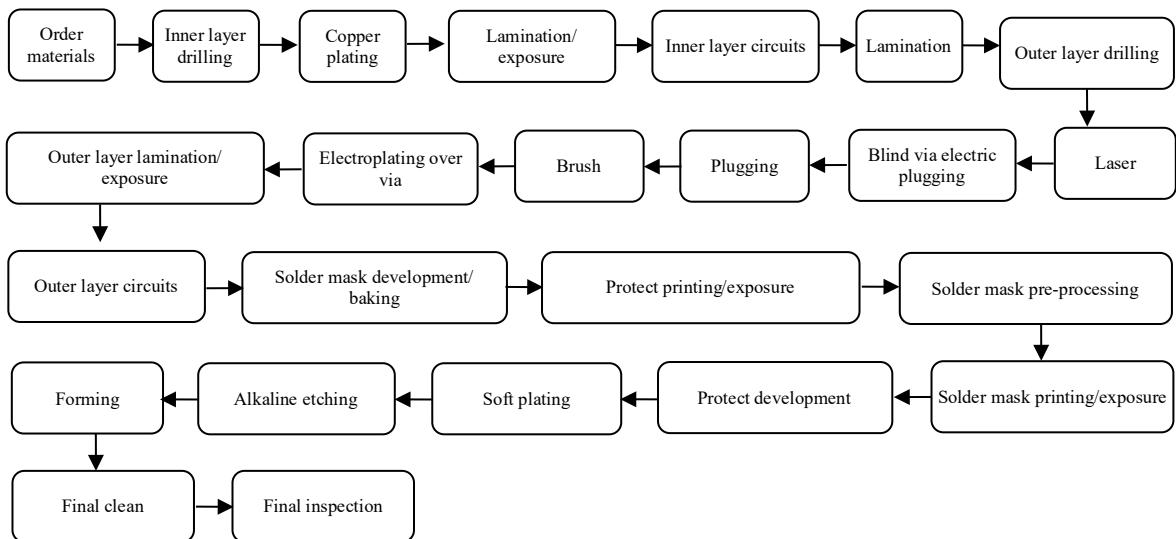
(2) Rigid PCB production process



(3) High-density interconnect PCB production process



(4) IC Substrate production process



(III) Supply Status of Main Materials

Key Raw Materials	Major Supplier	Supply Status
Copper-clad Laminates	DuPont, Taiflex, Elite Material, Nan Ya	Good
Chemical Products	Atotech, Macdermid Enthone	Good
Electronics Components	Apple, QORVO	Good

(IV) Names of Customers who Accounted for More Than 10% of the Purchase (sales) in Any of the Most Recent two years, Transaction amount, and Sales as a Percentage of Total Sales

- Names of suppliers who accounted for more than 10% of the purchases of the Company in the last two years, and the ratio to total purchases:

Information of Major Suppliers in the Last 2 Years

Unit: US\$

Item	2018				2019			
	Name	Amount	% of Total Annual Net Purchase	Relationship with the Issuer	Name	Amount	% of Total Annual Net Purchase	Relationship with the Issuer
1	Supplier H	401,922,382	19.99	None	Supplier H	376,000,315	19.12	None
2	Others	1,609,147,863	80.01	None	Others	1,590,986,255	80.88	None
	Net Purchase	2,011,070,245	100.00	—	Net Purchase	1,966,986,570	100	—

Note: Where procurement acquired from a supplier exceed 10% of total procurement for the most recent two years, the name of the said supplier, procurement value, and proportion of the procurement shall be disclosed. However, contractual terms dictate that the name of such a supplier or trading partner cannot be disclosed if the said supplier or trading partner is an individual and unrelated party, and codes may be used to replace the names instead.

2. Names of customers who accounted for more than 10% of the sales in the most recent two years, and sales as a percentage of total sales

Unit: NT\$ thousands

Item	2018				2019			
	Name	Amount	% of Total Net Sales	Relationship with the Issuer	Name	Amount	% of Total Net Sales	Relationship with the Issuer
1	Customer X	81,779,622	69.36%	None	Customer X	77,134,598	64.24%	None
2	Others	36,133,259	30.64%	—	Others	42,932,910	35.76%	—
	Net Sales	117,912,881	100.00%	—	Net Sales	120,067,508	100.00%	—

(V) Production Volume and Value in Most Recent Two Years

Unit: Capacity/KSF; Volume/KPCS; NT\$ thousands

Production Quantity and Revenue Primary Products	Year	2018			2019		
		Production Capacity	Production Volume (Note)	Production Value	Production Capacity	Production Volume (Note)	Production Value
		PCBs	65,320	3,671,906	90,676,433	63,000	4,597,141	91,278,479
Total		65,320	3,671,906	90,676,433	63,000	4,597,141	91,278,479

Note: Units of production volume and sales volume are consistent.

(VI) Sales Volume and Value in Most Recent Two Years

Unit: 1,000 pcs/NT\$ thousands

Sales Volume and Value Main Product	Year	2018				2019			
		Domestic Sales		Export Sales (Note)		Domestic Sales		Export Sales (Note)	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PCBs		1,843,166	23,946,317	1,521,400	93,966,564	2,469,011	28,111,801	1,815,623	91,955,707
Total		1,843,166	23,946,317	1,521,400	93,966,564	2,469,011	28,111,801	1,815,623	91,955,707

Note: As the Company's main place of operations is Mainland China, export refers to sales to regions other than China.

III. Number of Employees in the Most Recent Two years as the Publication Date Report

Unit: person; year; age

		Year		December 31, 2018	December 31, 2019	March 31, 2020
Number of Employees	Direct Labor			25,092	24,295	23,420
	Indirect Labor			11,238	11,886	13,564
	Total			36,330	36,181	36,984
Average Age				28.9	29.8	30.0
Average Years of Services				2.7	3.1	2.9
Education Background Distribution	Doctorate			10	12	12
	Master			269	347	336
	Bachelor			4,868	5,423	5,280
	College			6,885	7,419	7,564
	Senior High School and Below			24,298	22,980	23,792

Note: Numbers above represent the number of in-service employees.

IV. Expenditure on Environmental Protection

(I) Explanations on the pollution treatment and environment improvement of the Company over the most recent year until the publication date of this annual report. If there had been any pollution dispute, its handling process will also be explained:

There have been no disputes regarding environmental pollution in the most recent year and as of the publication date of the Annual Report. The Company took on the mission of "Technological development for the benefit of mankind; protect the environment and make the Earth a better place". We will continue our practice of continuing to optimize the processing capacity and innovation in management for environmental protection and energy conservation equipment and take actions to promote coexistence and mutual prosperity between company development and environmental protection. Our actions are provided as follows:

1. Focus on environmental protection laws and international standards

The Company strictly adheres to regulatory requirements for environmental assessment applications and related environmental protection facilities our investments. We obtained emissions licenses after qualifying in acceptance inspections performed by environmental protection authorities. All operations meet requirements in environmental protection regulations. In addition, we have introduced and executed ISO 14001 environmental management systems for all plants. We strictly abide by the EU's RoHS requirements and related requirements of customers in our management to provide products that meet environmental protection regulations. In addition, we established the "Supplier (Contractor) Management System", "Supplier Corporate Social Responsibility Management Regulations", and "Supplier Conflict Minerals Management Regulations" to extend our environmental protection ideals to the supply chain and establish partnerships with suppliers for joint management. We require companies to abide and commit to such regulations and ensure all operations meet related environmental protection laws and international regulations.

In 2019, the Company conducted annual auditing of quality and hazardous substance on 112 suppliers. Of the suppliers audited, 27% passed the evaluation, 68.5% passed with condition, and 4.5% (5 suppliers) were non-conforming suppliers. Aspects requiring improvement by suppliers who passed conditionally included failure to practice onsite management as requested, unclear designation of materials area, and incomplete supply chain management mechanism. Aspects requiring improvement by non-conforming suppliers included incomplete quality management system and onsite management. These aspects have been improved in 2019, and these suppliers have been re-audited and passed the evaluation.

Nine new hazardous substance-related laws and regulations were added in 2019. Four new substances were added to the 21st SVHC candidate list, for a total of 201 substances, and 44 substances were revised. We exchange opinions on and communicate the appropriateness of what we require from our customers. If a technology is feasible, we implement control using the strictest standard and keep our hazardous substance control documents up-to-date. If a requirement cannot be satisfied, we will assess the standards and offer reasonable suggestions to our customers.

Conflict minerals refer to minerals mined in areas of armed conflict or under conditions that violate human rights, specifically precious metal minerals mined by the Democratic Republic of the Congo and adjoining countries. Conflict minerals include gold (Au), tin (Sn), tantalum (Ta), and tungsten (Wu) (collectively referred

to as 3TG) and are mainly used in electronic parts. In response to global control measures for conflict minerals, the Company has incorporated conflict minerals into its supplier management policies, and proposed policies, objectives and management practices to meet international trends and customer requirements.

Conflict Mineral Management Policy	Conflict Mineral Management Objectives
<ul style="list-style-type: none"> • The Company promises that the smelters from which it purchases 3TG are RMI's smelters or customer-approved smelters. • The Company promises to follow the OECD due diligence guidelines to conduct due diligence on its supply chain. • The Company promises to not directly or indirectly purchase conflict minerals that directly or indirectly finance armed conflict groups. • The Company shall not purchase 3TG from the Democratic Republic of the Congo and adjoining countries. • Suppliers shall impose the same conflict mineral management requirements on their upstream suppliers. 	<p>The Company continues to promote supply chain improvement as required by laws and customers in order to eliminate the use of conflict minerals in its supply chain.</p>
<p>Conflict Mineral Management Practices</p> <ul style="list-style-type: none"> • Conduct investigation to trace conflict minerals in gold salts, electronic parts, tri-tin, and all materials in PCB that main contain 3TG. • Use the list of conformant smelters provided on the RBA website. If a smelter is not on the list, request for a response plan from the supplier. • Require suppliers to impose the same conflict mineral management on their upstream suppliers. • Require suppliers to sign a Declaration of Conflict-Free Minerals. 	

2. Develop independent pollution prevention and resource recycling technologies

As our production process consumes large amounts of water, electricity, and chemicals, the wastewater we produce in the process have complicated characteristics and our waste resources can be recycled and reused. The Company thus established a department to take charge of environmental protection and to manage and develop our own energy conservation, emissions reduction, pollution prevention, and resource recycling technologies and management systems. Wastewater is divided into 25 categories of sources based on their characteristics and difference in concentration. The Company also planned and designed wastewater treatment and recycling systems and the investee companies' current wastewater effluent standards far exceed government regulations for emissions. The average wastewater recycling rate is above 40% and we recycled 563.7 million tons of water in 2019. In terms of waste resources, we have more than 65 types of

waste resources derived from different products and sources. We increased the recycling rate and value for waste and the average waste recycling rate in the plants is now above 93.80%.

3. Create the "Zhen Ding Seven Greens" platform and let green culture take root

Corporate development is centered around "people". We actively implemented the aforementioned environmental protection and energy conservation measures and we have always been focused on educating employees and cultivating their environmental protection awareness and habits. Therefore, the Company organizes an environmental protection and energy conservation month promotion event with participation from all employees from April 22 to June 5 each year. We also interact with the government, communities, schools, and other companies in the industrial parks of our subsidiaries and share our environmental protection and energy conservation experience and achievements. In addition, the Company proposed the "Zhen Ding Seven Greens" concept in 2008 and established a platform to guide employees in all aspects of production and life to achieve green innovation, green procurement, green production, green operations, green services, green renewable resources, and green life. We carefully analyzed and examined methods and practices for improving energy conservation, carbon emissions reduction, efficiency, consumption reduction, greenery, and recycling and implemented in our daily lives and work. We aim to cultivate habits in hopes of creating a unique green corporate culture for the Company and plant the seeds for the most valuable intangible assets.

4. Respond to global climate change and actively promote energy conservation and carbon emissions reduction

The Company began implementing regular greenhouse gas inventories since 2007 to monitor the status of carbon emissions of the Company at all times. We integrated government requirements and our own development needs to establish specific energy conservation and carbon emissions reduction goals and actively implemented various carbon emissions reduction programs. Starting from 2010, our subsidiaries simultaneously began voluntary clean production reviews and converted the Company environmental protection ideals from traditional governance at the end-points to energy conservation and carbon emissions reduction at the source. The Company has completed ISO 50001 Energy Management Certification in all plants and we continue to improve our energy management methodology and standards.

In 2019, we have taken a number of energy conservation and carbon reduction measures, such as introducing permanent magnet motors, replacing ice-water machines with cool water recycling board (winter), improving borehole dust collector, introducing insulated coating, reusing RO concentrated water in cooling tower, and introducing low-loss light sources. In total, 5,106 tons of CO₂ were saved. The Company also actively participates in the Carbon Disclosure Project (CDP) as we continue to learn from advanced carbon management initiatives from foreign countries. We also use this platform to share our experience in reducing carbon emissions. The Company's CDP score in 2019 was B which was higher than the average score in Asia and the industry.

In addition, the Company also actively participates in the Shenzhen carbon emission trading system and cooperates with carbon emission trading surveys in Hebei and Jiangsu Provinces in China. We continue to enhance carbon asset management and operations through cooperation with the government.

5. Fulfill corporate social responsibilities and purchase environmental liability insurance

The Company is committed to innovation and improvements in energy conservation and carbon emissions reduction technologies to improve environmental protection and provide additional commitments and protection of the environment and related parties. Our subsidiaries have purchased independent environmental liability insurance policies since 2013 and the Company's insurance amount in 2019 amounted to NT\$25,000 KNTD as we sought to fulfill corporate social responsibilities.

(II) The Company's losses and total fines as a result of pollution to the environment (including reparation) within the previous year up to the publication date of the Annual Report. Disclose future response measures and possible expenditures (including estimated losses, fines, and compensation if response measures are not taken; if the amount cannot be reasonably estimated, please state reason for not being able to make a reasonable estimate): None.

(III) Current status of pollution and improvement, its effects on the Company's earnings, competitive position and capital spending, and capital expenditure estimated major environmental protection measures in the following year:

1. Current status of pollution and improvement, its effects on the Company's earnings, competitive position and capital spending:

All plants of the Company have retained legal and comprehensive reviews and emissions permits and certificates for environmental protection operations in the most recent year and as of the publication date of the Annual Report. All environmental protection tasks have been effectively implemented in a stable manner without any material environmental protection. Therefore, there has been no negative impact on the Company's earnings, competitive position and capital spending.

China has implemented increasingly rigid controls on pollutant emissions and companies would face difficulties in obtaining necessary permit for total pollutant emissions in the future. In response to such trends, the Company continues to improve environmental protection measures and actively develops energy conservation, carbon emissions reduction, wastewater recycling, and waste reduction technologies to reduce the Company's emissions and waste and to provide greater room for development in the Company's future expansion.

The Company has won the trust and support of various local governments and customers based on our outstanding performance in environmental protection tasks and active participation in government policies and green activities. We have also obtained green awards issued by the government and customers and created more favorable foundations for additional environmental resources for the future and corporate sustainable development.

Awards at Each Sites for Environmental Protection and Energy Conservation

Year	Award	Sites
2019	China Industrial Innovation Alliance of Green Design and Manufacturing - 2019 Green Pioneer Enterprise	Shenzhen
	2018 Guangdong Printed Circuit Association PCB "Green Environmental Protection Model Enterprise"	
	Best Waste VOCs Governance Practice Award in the 2019 Annual Supplier Social and Environmental Responsibility Conference	
	Platinum award for zero-landfill in waste processing	
	Jiangsu Province Environmental Protection Trusted Enterprise	Huai'an Comprehensive Bonded Zone
	Huai'an Leader in Water Efficiency	
	Green Enterprise in Huai'an Economic and Technological Development Zone	
	Jiangsu Province Environmental Protection Trusted Enterprise	Huai'an Industrial Park
	Huai'an Leader in Water Efficiency	
	Qinhuangdao 2019 "Advanced Water Conservation Unit"	Qinhuangdao
	Hebei Province Eco-Friendly Exemplar Enterprise	
	China Environmental Social Responsibility Company awarded by the Ministry of Ecology and Environment (China Environment News) of the People's Republic of China in 2018	
	Regarded as "a company with environmental protection awareness and outstanding performance" in the "2018 Supplier Responsibility Progress Report" of an important customer	
2018	"Green Label Enterprise" in Guangdong Province's 2017 Environmental Protection Credit Rating	Shenzhen
	2017 Guangdong Printed Circuit Association PCB "Green Environmental Protection Model Enterprise"	
	Jiangsu Province 2017 Water Conservation Enterprise	Huai'an Comprehensive Bonded Zone
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2017	
2018	Huai'an 2017 Water Conservation Enterprise	Huai'an Comprehensive Bonded Zone
	Jiangsu Province 2017 Water Conservation Enterprise	
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2017	
	Huai'an 2017 Water Conservation Enterprise	Huai'an Industrial Park
	China Ministry of Industry and Information Technology "Green Factory" for green manufacturing companies in 2017	
	"Green Enterprise" in the 2017 Huai'an Environmental Protection Credit Rating	
	"Platinum award" for zero-landfill in waste processing	
	China Ministry of Industry and Information Technology "Green Factory" for green manufacturing companies in 2017	Qinhuangdao
	"China Environmental Social Responsibility Company" awarded by the Ministry of Environmental Protection (China Environment News) of the People's Republic of China in 2018	
2017	China Ministry of Industry and Information Technology "Green Factory" for green manufacturing companies in 2016	Shenzhen

Year	Award	Sites
2016	"Green Label Enterprise" in Guangdong Province's 2016 Environmental Protection Credit Rating	
	2016 Guangdong Printed Circuit Association PCB "Green Environmental Protection Model Enterprise"	
	Qinhuangdao 2017 "Advanced Water Conservation Unit"	
	Qinhuangdao 2016 "Advanced Water Conservation Unit"	
	"China Environmental Social Responsibility Company" awarded by the Ministry of Environmental Protection (China Environment News) of the People's Republic of China in 2016	
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2016	Huai'an Comprehensive Bonded Zone
	Huai'an 2016 Water Conservation Enterprise	
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2016	Huai'an Industrial Park
	Huai'an 2016 Water Conservation Enterprise	
	"Green Label Enterprise" in Guangdong Province's 2015 Environmental Protection Credit Rating	Shenzhen
2015	Shenzhen 2015 "Advanced Water Conservation Unit"	
	"China Environmental Social Responsibility Company" awarded by the Ministry of Environmental Protection (China Environment News) of the People's Republic of China in 2015	Qinhuangdao
	"Advanced Unit" for environmental protection tasks in Qinhuangdao Economic and Technological Development Zone in 2015	
	"Green Enterprise" in the 2015 Environmental Protection Credit Rating by the Department of Ecology and Environment of Jiangsu Province	Huai'an Comprehensive Bonded Zone
	"China Environmental Social Responsibility Company" awarded by the Ministry of Environmental Protection (China Environment News) of the People's Republic of China in 2014	
2014	"Advanced Unit" for environmental protection tasks in Qinhuangdao Economic and Technological Development Zone in 2014	Qinhuangdao
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2014	
	"Best Corporate Social Environment Responsibility Award" in the third Microsoft Annual Supplier Social and Environmental Responsibility Conference	
2013	"Advanced Enterprise" in Shenzhen's 2013 Pengcheng Waste Reduction Action	Shenzhen
	Shenzhen 2013 "Water Conservation Construction Award"	
	Bao'an 2013 "Advanced Energy Conservation Group"	
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2013	Huai'an Comprehensive Bonded Zone
	"Green Enterprise" in the 2013 Environmental Protection Credit Rating by the Department of Ecology and Environment of Jiangsu Province	
	Huai'an Environmental Protection Bureau 2013 "Green Enterprise"	
	"Advanced Unit" for environmental protection tasks in Qinhuangdao Economic and Technological Development Zone in 2013	
2013	"Best Energy Conservation Award" in the second Microsoft Annual Supplier Social and Environmental Responsibility Conference	Zhen Ding

Year	Award	Sites
2012	Guangdong Province 2011 "Advanced Energy Conservation Group"	Shenzhen
	"Green Enterprise" in Guangdong Province's 2012 Key Pollution Source Environmental Protection Credit Rating	
	Huai'an 2012 "Advanced Energy Conservation Enterprise"	Huai'an Comprehensive Bonded Zone
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2012	Huai'an Comprehensive Bonded Zone
	"Green Enterprise" for corporate environmental tasks in the 2012 Huai'an Corporate Environmental Initiatives	Huai'an Comprehensive Bonded Zone
	"Advanced Unit" for environmental protection tasks in Qinhuangdao Economic and Technological Development Zone in 2012	Qinhuangdao
2011	"Best Wastewater Treatment Award" in the first Microsoft Annual Supplier Social and Environmental Responsibility Conference	Zhen Ding
	Shenzhen 2011 "Energy Conservation Role Model Enterprise"	Shenzhen
	"Green Enterprise" for corporate environmental tasks in the 2011 Jiangsu Province Corporate Environmental Initiatives	Huai'an Comprehensive Bonded Zone
	"Advanced Unit" for environmental protection tasks in Huai'an Economic and Technological Development Zone in 2011	
	Jiangsu Province 2011 "Outstanding Environmental Protection Construction" (Wastewater Treatment Construction)	
2010	"Outstanding Enterprise" in Shenzhen's 2010 Pengcheng Waste Reduction Action	Shenzhen
	"Green Environmental Protection Integrity Enterprise" in the 2010 Shenzhen Environmental Protection Credit Rating	
	"Green Enterprise" in the 2010 Environmental Protection Credit Rating by Jiangsu Province	Huai'an Comprehensive Bonded Zone
	"Advanced Unit" for environmental protection tasks in Qinhuangdao Economic and Technological Development Zone in 2010	Qinhuangdao
2009	"Advanced Group" in Shenzhen's water conservation tasks in 2009-2010	Shenzhen
	"Blue Enterprise" in the 2009 Huai'an Environmental Protection Credit Rating	Huai'an Comprehensive Bonded Zone
	"Advanced Enterprise" in Shenzhen's 2008 Pengcheng Waste Reduction Action	Shenzhen
2008	"Blue Enterprise" in the 2008 Huai'an Environmental Protection Credit Rating	Huai'an Comprehensive Bonded Zone
2008	"Advanced Enterprise" in Shenzhen's 2007 Pengcheng Waste Reduction Action	Shenzhen

* As government authorities in Liaoning Province and Yingkou have not organized awards for environmental protection or energy conservation, no statistics on awards are available.

2. Material capital expenditure on environmental protection anticipated for the next year:

Material capital expenditure on environmental protection anticipated in the next year consists mainly of construction conducted in response to future expansion of production in plants, stricter environmental protection regulations, and production capacity expansion. They also include capital expenditures for continuous improvements such as recycling various wastewater and waste resources and energy conservation and carbon emissions reduction. Material capital expenditure on environmental protection anticipated for the next year:

Unit: NT\$ thousands

Subsidiaries and Locations	Capital Expenditure Item	2020	2021	2022
Avary (Shenzhen)	Pollution prevention equipment and construction	123,810	34,462	53,507
	Energy conservation improvement equipment and construction	125,334	77,993	—
Hong Heng Sheng (Huai'an Comprehensive Bonded Zone)	Pollution prevention equipment and construction	35,097	1,088	726
	Energy conservation improvement equipment and construction	11,336	—	—
Qing Ding, Yu Ding Precision Electronics (Huai'an Industrial Park)	Pollution prevention equipment and construction	53,412	37,229	2,267
	Energy conservation improvement equipment and construction	19,498	—	—
Hong Qi Sheng, Qiding Technology (Qinhuangdao)	Pollution prevention equipment and construction	197,310	145,013	136,035
	Energy conservation improvement equipment and construction	2,267	6,802	—
Total		620,392	125,334	77,993

V. Labor Relations

(I) List various employee benefit plans, continuing education, training, retirement systems, and the state of implementation as well as various employee-employer agreements and measures for protecting employee rights and the interests of the Company:

1. Employee benefits

The employee welfare measures for the Company's employees in Taiwan include the National Health Insurance, Labor Insurance, and labor pension systems required by the Labor Standards Act of the Republic of China. We also provide employees with group insurance to protect their related benefits. The Company's group insurance in Taiwan includes a certain amount of term life insurance, accident insurance, hospitalization and medical insurance, cancer insurance, accident injury medical insurance, and occupational hazards insurance. In addition, employees' family members can also purchase the Company's group insurance with lower insurance premiums. Other benefits include birthday gift money, gift (money) for festivities, subsidies for relief funds, gift money for weddings, funerals, and childbirth, employee lotteries, annual health examinations, employee travel subsidies, business travel insurance, and related expenses.

Employees in China are provided with social insurance and housing provident fund appropriations in accordance with laws. The Company provides regular promotion and salary adjustment opportunities each year to reward employees with outstanding performance. We also distribute year-end bonuses based on the Company's operations and performance. Other welfare measures include the establishment of employee clubs such as basketball, volleyball, dance, and chess clubs. We hold dinner parties on important holidays and organize outdoor hiking and other large-scale activities. We provide production incentive bonuses and funding for employee care activities.

2. Continuing education and training

The Company upholds a people-oriented corporate philosophy and values each employee's value for growth to provide education based on their talents. We also actively establish diverse development and training programs for each employee to learn from different disciplines, make full use of their skills, and achieve their dreams to become the key for the Company's continued growth. The Company's education and training include training for new employees, quality management training, professional skills training, management skills training, language skills training, online learning, and self-development training. The Company organized 2,035 courses totaling 1,963,398 training hours in 2019 with more than 658,847 attendances in the courses. The average employee received more than 58 training hours and the total training expenditures amounted to NT\$25,217,773.

- A. Training for new employees: The Company arranges training courses on the Company's history, corporate culture, human resources policies, work safety, environmental protection knowledge, integrated management, and the SER policy to prepare employees for business development after they enter the Company.
- B. Quality management training: To become a world-class and high-quality company, the Company implements various quality management policies and introduced comprehensive quality management training such as daily quality management, Seven Basic Tools of Quality, Eight Disciplines of Problem Solving (8D), SPC/CPK, FMEA 6 Sigma, and DOE.
- C. Professional skills training: The Company provides all employees with professional skills training courses and appoints senior managers, technical experts, and professional companies to share their experience and systematically train talents necessary for the operations and development of the Company and improve the Company's competitive advantages.
- D. Management skills training: The Company incorporates professional skills and concepts into the talent improvement plans for various managers and key talents. We also arrange training for corresponding management skills to assist managers in work and management.
- E. Language skills training: The Company is committed to creating a diverse foreign language learning environment. We continue to cultivate international talents and strengthen employees' proficiency in multiple foreign languages to achieve seamless communication with the world.
- F. Online training programs: The Company established an online platform learning platform for individual employees to expedite their studies. Employees can learn and test themselves at any time to improve their skills.

G. Self-development Training: To satisfy the Company's future development requirements, the Company plans various development and training courses such as academic education (on-the-job studies), book clubs, expanded training, and overseas or occupational rotations to allow employees to realize their potential and improve work performance.

3. Retirement System and the status of implementation

The Company's subsidiaries in Taiwan have established retirement and pension management regulations in accordance with the Labor Standards Act to take care of employees after retirement and improve their services during employment. The Company also established the Supervisory Committee of the Labor Retirement Reserve in accordance with regulations. The labor retirement reserve fund is appropriated each month in accordance with the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" to the Committee's dedicated account in the Central Trust of China and managed by the Committee.

The Company complied with the implementation of the Labor Pension Act (new system) after July 1, 2005. Employees applicable to the Regulations that opt for the calculation of years of services in the new system and employees appointed after the implementation of the new system that opt for the appropriation system, the Company shall appropriate pension equivalent 6% of the monthly salary and deposit the funds in the personal labor pension account established for each employee. Employees may also appropriate 0-6% of their monthly salary to their person pension account; once employees meet the legal retirement age prescribed by the government, they may apply for monthly pension payments or a lump-sum pension payment from the government.

The Company's subsidiaries in China set aside pension insurance based on the mandatory ratio assigned for employees' salary in accordance with the retirement and pension system required by the government of the People's Republic of China. All pension funds of current and retired employees are organized and managed by local governments.

4. Protection measures for agreements between the employer and employees and all employee rights

The successful fulfillment of the Company's operation targets relies on employees' dedication and contributions. Therefore, the Company has always focused on cultivating a harmonious relationship between labor and management. The Company upholds the ideals of creating mutual prosperity to take care of employees and we designed salary, benefit, and training policies for employees' interest and providing personal work satisfaction and a good work environment. Both labor and management work hard to pursue growth for the Company.

The Company's internal control system and management regulations clarified the duties and interest of employees on all levels in all departments. We also specified Work Rules in the Employee Handbook to protect their rights and interests. We established the Employee Welfare Committee to organize various employee activities. We also provide incentives in the form of rewards, salary adjustments, bonuses, and promotions based on performance evaluations.

The Company's subsidiaries in Taiwan established labor meeting systems in accordance with laws and they convene labor-management meetings each quarter to facilitate bidirectional communication and coordination on the Company's recent and future policies and form consensus. Employees can also use the Company's employee opinion box, digital platform, and other grievance channels to propose

recommendations and feedback to the Human Resources Department or senior managers to maintain good relations and protect employees' legal rights.

The Company's main sites for operations are provided with social welfare funds that correspond to the social security and welfare system required for each site to protect employees' rights and interests in work.

(II) List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount for current and possible future occurrences, and response measures. If the amount cannot be reasonably estimated, clarify the reason:

The Company has always enjoyed a harmonious relationship between labor and management and there are no labor disputes or losses in the most recent year and up to the publication date of the Annual Report.

VI. Important Contracts

Item	Nature of the Contract	Counterpart	Commencement Date/Expiration Date	Main Content	Restrictive Terms
1	Syndicated Loan Contract	Bank consortium including Mega International Commercial Bank and Taipei Fubon Commercial Bank	3 years from the signature date September 19, 2018 to the drawdown date (5 years if the credit extension period is renewed in accordance with the contract)	The Company signed a syndicated loan contract with a total credit extension amount of US\$300 million with a consortium of banks including Mega International Commercial Bank	Financial Standards
2	Sales	Company AA	3 years starting from September 4, 2017; automatic renewal	Framework Agreement	Confidentiality
3	Sales	Company NN	From June 19, 2017	Framework Agreement	Confidentiality
4	Sales	Company JJ	1 year starting from November 22, 2016; automatic renewal	Framework Agreement	Confidentiality
5	Sales	Company KK	From February 13, 2017	Framework Agreement	Confidentiality
6	Sales	Company HH	1 year starting from March 1, 2017; automatic renewal	Framework Agreement	Confidentiality
7	Sales	Company BB	From January 1, 2017	Framework Agreement	Confidentiality
8	Sales	Company EE	1 year starting from January 7, 2017; automatic renewal	Framework Agreement	Confidentiality
9	Sales	Company PP	From November 16, 2018	Framework Agreement	Confidentiality
10	Sales	Company SS	3 years starting from January 7, 2019	Framework Agreement	Confidentiality
11	Sales	Company CC	From March 18, 2019 until the end of collaboration	Framework Agreement	Confidentiality
12	Sales	Company DD	From August 1, 2019 to July 31, 2022	Framework Agreement	Confidentiality
13	Sales	Company LL	From May 20, 2019	Framework Agreement	Confidentiality

Chapter 6 Financial Overview

I. Condensed Balance Sheet and Condensed Consolidated Income Statement in the Most Recent Five Years

(I) Condensed balance sheet

Disclosure based on the revised International Financial Reporting Standards (IFRS) as endorsed by the Financial Supervisory Commission (FSC):

Unit: NT\$ thousands

Item	Year	2015	2016	2017	2018	2019
Current assets		56,823,003	60,420,173	81,368,070	88,894,203	83,203,716
Property, plant and equipment		32,074,418	32,261,917	36,681,453	41,913,166	46,242,613
Intangible assets		98,021	96,289	88,854	185,615	360,370
Other assets		2,259,973	2,125,457	5,578,136	9,114,169	10,074,636
Total assets		91,255,415	94,903,836	123,716,513	140,107,153	139,881,335
Current liabilities	Before distribution	39,250,046	46,623,696	55,181,109	51,835,059	39,032,879
	After distribution	42,871,414	48,394,142	57,836,779	55,858,801	(Note 3)
Non-current liabilities		9,752,836	10,049,783	13,274,085	10,163,514	10,504,355
Total liabilities	Before distribution	49,002,882	56,673,479	68,455,194	61,998,573	49,537,234
	After distribution	52,624,250	58,443,925	71,110,864	66,022,315	(Note 3)
Equity attributable to owners of the parent company		42,252,533	38,230,357	44,344,034	56,055,207	67,159,702
Capital		8,047,484	8,047,484	8,047,484	8,047,484	9,022,299
Capital surplus		11,942,690	11,942,690	14,851,298	22,000,657	29,534,781
Retained earnings	Before distribution	20,093,605	19,928,539	23,163,165	28,955,372	33,617,319
	After distribution	16,472,237	18,158,093	20,507,495	24,931,630	(Note 3)
Other equity		2,168,754	(1,688,356)	(1,717,913)	(2,948,306)	(5,014,697)
Treasury stock		—	—	—	—	—
Non-controlling equity		—	—	10,917,285	22,053,373	23,184,399
Total equity	Before distribution	42,252,533	38,230,357	55,261,319	78,108,580	90,344,101
	After distribution	38,631,165	36,459,911	52,605,649	74,084,838	(Note 3)

Note 1: CPA-audited consolidated financial report for 2015 to 2019.

Note 2: Financial data from the 2020 up to the publication date of the Annual Report has not been reviewed by CPAs.

Note 3: Distribution of earnings for 2019 is subject to approval of the shareholders' meeting.

(II) Condensed consolidated income statement and condensed income statement

The condensed consolidated income statement is disclosed based on the revised IFRS as endorsed by the FSC:

Unit: NT\$ thousands

Item	Year	2015	2016	2017	2018	2019
Operating revenue		85,737,736	82,392,633	109,237,731	117,912,881	120,067,508
Gross profit		16,427,434	12,541,524	17,833,435	26,060,948	27,222,009
Operating profit		8,355,594	4,616,704	8,657,136	14,845,618	14,800,808
Non-operating income and expenses		1,036,833	690,491	(163,246)	(179,056)	150,100
Net profit before tax		9,392,427	5,307,195	8,493,890	14,666,562	14,950,908
Net profit from continuing operations in the current period		7,730,720	3,456,186	6,771,783	11,536,495	12,401,617
Losses from discontinued operations		—	—	—	—	—
Net profit for the period		7,730,720	3,456,186	6,771,783	11,536,495	12,401,617
Net value of other comprehensive income after tax		(548,121)	(3,856,994)	234,175	(1,485,700)	(3,312,504)
Total combined income for this period		7,182,599	(400,808)	7,005,958	10,050,795	9,089,113
Net income attributable to owners of parent company		7,730,720	3,456,186	5,172,436	8,447,792	8,685,202
Net income attributable to non-controlling interests		—	—	1,599,347	3,088,703	3,716,415
Comprehensive income (loss) attributable to owners of parent company		7,182,599	(400,808)	5,148,524	7,217,484	6,619,298
Comprehensive income (loss) attributable to non-controlling interests		—	—	1,857,434	2,833,311	2,469,815
Basic earnings per share (unit: NTD)		9.80	4.29	6.43	10.50	9.93

Note 1:CPA-audited consolidated financial report for 2015 to 2019.

Note 2:Financial data from the 2020 up to the publication date of the Annual Report has not been reviewed by CPAs.

(III) Names of CPAs for the 5 most recent years and audit opinions

1. Names of CPAs for the last 5 years and their audit opinions

Year	Certifying CPA	Company Name	Audit Opinion
2015	Sheng-Chung Hsu, Yung-Chien Hsu	PricewaterhouseCoopers Taiwan	Unqualified opinion
2016	Sheng-Chung Hsu, Chang, Ming-Hui	PricewaterhouseCoopers Taiwan	Unqualified opinion
2017	Sheng-Chung Hsu, Chang, Ming-Hui	PricewaterhouseCoopers Taiwan	Unqualified opinion
2018	Sheng-Chung Hsu, Yung-Chien Hsu	PricewaterhouseCoopers Taiwan	Unqualified opinion
2019	Yung-Chien Hsu, Min-Chuan Feng	PricewaterhouseCoopers Taiwan	Unqualified opinion

2. If there is any replacement of auditor in the last 5 fiscal years, the reasons for the replacement of the accounting firm and the former and successor auditors should be explained: None

II. Financial analysis for the last five years

Financial Analyses – Adoption of IFRSs

Analysis Item	Year	Financial Analysis for Each Year				
		2015	2016	2017	2018	2019
Financial Structure	Liability to asset ratio (%)	53.70	59.72	55.33	44.25	35.41
	Proportion of long-term capital in PP&E (%)	162.14	149.65	186.84	210.61	218.09
Solvency	Current ratio (%)	144.77	129.59	147.46	171.49	213.16
	Quick ratio (%)	125.94	109.64	121.46	144.95	183.50
Operating Ability	Interest coverage ratio (times)	22.56	13.55	12.04	16.83	22.76
	Receivables turnover (times)	4.59	4.72	4.39	4.29	4.66
	Average collection days	80	77	83	85	78
	Inventory turnover (times)	10.65	9.73	9.33	8.18	9.31
	Payables turnover (times)	4.98	4.94	4.62	4.45	5.71
	Average inventory turnover days	34	38	39	45	39
	Property, plant and equipment turnover rate (times)	2.67	2.55	3.17	3.00	2.72
Profitability	Total asset turnover (times)	0.94	0.87	1.00	0.89	0.86
	Return on assets (%)	9.15	4.01	6.76	9.30	9.27
	Return on equity (%)	20.82	8.59	14.49	17.30	14.72
	Ratio of pre-tax income to paid-in capital (%)	116.71	65.95	105.55	182.25	165.71
	Net profit margin (%)	9.02	4.19	6.20	9.78	10.33
Cash Flow	Earnings per share (NT\$)	9.80	4.29	6.43	10.50	9.93
	Cash flow ratio (%)	38.45	20.21	4.01	51.90	41.69
	Cash flow adequacy ratio (%)	120.20	110.98	80.10	94.03	82.80
Leverage	Cash reinvestment ratio (%)	15.90	7.80	0.46	20.07	8.98
	Operating leverage	1.97	2.72	2.06	1.76	1.84
	Financial leverage	1.06	1.10	1.10	1.07	1.05

Description of change in financial ratios over the past two years (deviation over 20%):

- (1) Decrease in liability to asset ratio: Mainly attributed to increase in total assets and decrease in liability after settlement of loan.
- (2) Increase in current ratio: Mainly attributed to decrease in long-term liabilities - current portion.
- (3) Increase in quick ratio: Mainly attributed to decrease in long-term liabilities - current portion.
- (4) Increase in interest coverage ratio: Mainly attributed to decrease in long-term liabilities - current portion and decrease in interest expense for the year.
- (5) Increase in payable turnover: Mainly attributed to settlement of accounts payable, thus decreasing the payable balance at the end of the year.
- (6) Reduction in cash flow ratio: Mainly attributed to decrease in cash flows from operating activities.
- (7) Reduction in cash reinvestment ratio: Mainly attributed to decrease in cash flows from operating activities.

III. Financial Statements in the Most Recent Year: N/A.

IV. Consolidated Financial Statements of the Most Recent Year Audited and Certified by the CPA:

Please see Pages 173 to 269.

V. Financial Difficulties Occurred to the Company and its Affiliated Enterprises in the Most Recent Year and as of the Publication Date of this Report: None

VI. Audit Committee's Report on the Financial Statements in the Most Recent Year

Zhen Ding Technology Holding Limited Audit Committee's Audit Report

The Board of Directors has prepared and submitted the 2019 business report, consolidated financial statements, and earnings distribution proposal, of which the consolidated financial statements have been audited by the CPAs Yung-Chien Hsu and Min-Chuan Feng of PricewaterhouseCoopers, Taiwan and an Audit Report is submitted. The Audit Committee has reviewed the business report, consolidated financial statements, and the earnings distribution proposal and did not find any incompliance. According to the regulations in the Articles of Association, it is hereby submitted for your examination.

To:

2020 Shareholders' Annual General Meeting

Zhen Ding Technology Holding Limited

Audit Committee Convener: Chih-Chen Chou

March 30, 2020

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Opinion

We have audited the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the ‘Group’) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’ and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Enforcement Letter No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020’ and generally accepted auditing standards in the Republic of China; and of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’ and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements of the Group for the year ended December 31, 2019 were as follows:

Cutoff of hub warehouse sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group recognises revenue when the goods are directly shipped from factories and when customers accept the goods (the transfer of control) if picked up from hub warehouses. For pick-ups from hub warehouses, the Group recognises sales revenue based on movements of inventory records contained in the statements or other information provided by the warehouse custodians. The hub warehouses are located around the world with numerous warehouse custodians, the frequency and contents of statements provided by custodians are different, and the process of revenue recognition may involve manual procedures. These factors may potentially result in inaccurate timing of sales revenue recognition.

As there are numerous daily sales transactions from hub warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, we consider the cutoff of hub warehouse sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Assessed and tested internal controls over regular record verification between the Group and customers.

- B. Assessed and checked the appropriateness of cutoff of sales revenue prior to or after the balance sheet date, and verified the statements provided by the hub warehouse custodians.
- C. Performed confirmation of the storage quantities or observed physical counts in warehouse, compared against inventory records, and determined whether differences, if any, are properly adjusted.

Estimation of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventory. As of December 31, 2019, the Group's inventory cost and allowance for valuation losses were NT\$9,226,326 thousand and NT\$709,464 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of printed circuit board. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group measures inventories at the lower of cost and net realisable value and recognises the allowance for inventory valuation losses based on the inventories over normal age and those individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories are numerous, and the estimation of net realisable value for individually obsolete or damaged inventories are subject to judgement, we consider the estimation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the estimation of allowance for inventory valuation losses:

- A. Assessed the reasonableness of accounting policy on allowance for inventory valuation losses and checked whether it has been consistently applied.
- B. Checked whether the logic in calculating inventory aging report was appropriate and confirmed whether inventory over normal age has been included in the aging report.
- C. Assessed the reasonableness of individually obsolete or damaged inventory identified by the Group

against related supporting documents, reviewed scrap inventory before and after the balance sheet date, and verified the information obtained from physical count.

D. For net realisable value of inventories over normal age and those individually identified as obsolete and damaged inventory, discussed with the Group, obtained supporting documents and reviewed calculation of inventory loss.

Impairment assessment of property, plant and equipment

Description

Refer to Notes 4(16) and 4(19) for accounting policies on property, plant and equipment, Note 5 for the uncertainty of accounting estimates and assumptions applied on the impairment assessment valuation of property, plant and equipment, and Note 6(8) for details of property, plant and equipment. As of December 31, 2019, the property, plant and equipment cost and accumulated depreciation and impairment were NT\$83,376,117 thousand and NT\$37,133,504 thousand, respectively.

Certain property, plant and equipment of the Group are used for the manufacture of printed circuit boards. As the market demand changes, the risk of asset impairment also increases. The impairment assessment involves several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristic.

As the assessment is subject to judgement, the accounting estimates may not be reasonable. Thus, we consider the impairment assessment of property, plant and equipment a key audit matter.

How our audit addressed the matter

We performed the following audit procedures and verified the recoverable amount calculation in regard to the Group's impairment assessment of property, plant and equipment at the balance sheet:

- A. Assessed whether the assets impairment assessment procedures and accounting policies are reasonable and have been applied consistently and reviewed the method used by the Group in determining the recoverable amount of individual assets.
- B. Obtained the information used by the Group in determining the recoverable amount, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the

future possible income and expenses arising from the assets and ascertained whether it is reasonable.

C. Compared the expected future sales revenue growth and profitability with historical data, the trend of economic and industrial forecasts and checked whether it has been consistent.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Yung-Chien

Feng, Min-Chuan

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

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 38,280,304	27	\$ 40,652,973	29
1110	Current financial assets at fair value	6(2)				
	through profit or loss			-	3,437	-
1136	Current financial assets at amortised cost	6(6)				
	cost		4,790,922	4	8,778,797	6
1170	Accounts receivable, net	6(3)	24,259,541	17	21,631,860	15
1180	Accounts receivable due from related parties, net	6(3) and 7	2,828,109	2	2,644,519	2
1200	Other receivables	6(4)	1,306,347	1	855,783	1
130X	Inventories	6(5)	8,516,862	6	10,083,882	7
1410	Prepayments	6(4)	3,060,037	2	3,673,318	3
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	161,211	-	-	-
1470	Other current assets		383	-	569,634	-
11XX	Total current assets		<u>83,203,716</u>	<u>59</u>	<u>88,894,203</u>	<u>63</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	193,804	-	52,473	-
1600	Property, plant and equipment	6(8)	46,242,613	33	41,913,166	30
1755	Right-of-use assets	6(9)	8,035,650	6	-	-
1780	Intangible assets	6(10)	360,370	-	185,615	-
1840	Deferred income tax assets	6(29)	1,408,038	1	1,024,491	1
1990	Other non-current assets	6(11)	437,144	1	8,037,205	6
15XX	Total non-current assets		<u>56,677,619</u>	<u>41</u>	<u>51,212,950</u>	<u>37</u>
1XXX	Total assets		<u>\$ 139,881,335</u>	<u>100</u>	<u>\$ 140,107,153</u>	<u>100</u>

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2100 Short-term borrowings	6(13)	\$ 9,682,812	7	\$ 9,184,066	7
2170 Accounts payable		13,838,755	10	17,056,824	12
2180 Accounts payable to related parties	7	579,010	1	1,022,641	1
2200 Other payables	6(14)	12,449,520	9	13,346,522	9
2230 Current income tax liabilities		1,848,643	1	2,391,519	2
2260 Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	480,371	-	-	-
2280 Current lease liabilities		88,495	-	-	-
2320 Long-term liabilities, current portion	6(15)(16)	-	-	8,699,319	6
2399 Other current liabilities		65,273	-	134,168	-
21XX Total current liabilities		39,032,879	28	51,835,059	37
Non-current liabilities					
2540 Long-term borrowings	6(16)	8,980,884	6	9,194,880	6
2570 Deferred income tax liabilities	6(29)	972,792	1	857,644	1
2580 Non-current lease liabilities		150,912	-	-	-
2600 Other non-current liabilities		399,767	-	110,990	-
25XX Total non-current liabilities		10,504,355	7	10,163,514	7
2XXX Total liabilities		49,537,234	35	61,998,573	44
Equity					
Equity attributable to owners of parent					
Share capital					
3110 Ordinary share	6(19)	9,022,299	7	8,047,484	6
Capital surplus					
3200 Capital surplus		29,534,781	21	22,000,657	16
Retained earnings					
3310 Legal reserve		4,350,638	3	3,505,859	2
3320 Special reserve		2,948,306	2	1,717,913	1
3350 Unappropriated retained earnings		26,318,375	19	23,731,600	17
Other equity interest					
3400 Other equity interest	6(22)	(5,014,697)	(4)	(2,948,306)	(2)
31XX Equity attributable to owners of parent		67,159,702	48	56,055,207	40
36XX Non-controlling interest	6(31)	23,184,399	17	22,053,373	16
3XXX Total equity		90,344,101	65	78,108,580	56
Significant contingent liabilities and unrecognised contract commitments					
3X2X Total liabilities and equity		\$ 139,881,335	100	\$ 140,107,153	100

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	Items	Notes	For the years ended December 31,				
			2019	2018	AMOUNT	%	
4000	Operating revenue	6(23), 7 and 14	\$ 120,067,508	100	\$ 117,912,881	100	
5000	Operating costs	6(5) and 7	(92,845,499)	(77)	(91,851,933)	(78)	
5950	Gross profit from operations		27,222,009	23	26,060,948	22	
	Operating expenses	6(24)					
6100	Selling expenses		(1,656,854)	(1)	(1,490,569)	(1)	
6200	Administrative expenses		(4,603,636)	(4)	(4,075,331)	(3)	
6300	Research and development expenses		(6,139,768)	(5)	(5,637,557)	(5)	
6450	Expected credit losses in accordance with IFRS 9	12	(20,943)	-	(11,873)	-	
6000	Total operating expenses		(12,421,201)	(10)	(11,215,330)	(9)	
6900	Net operating income		14,800,808	13	14,845,618	13	
	Non-operating income and expenses						
7010	Other income	6(26)	2,028,257	2	1,668,596	2	
7020	Other gains and losses	6(27)	(1,190,959)	(1)	(921,381)	(1)	
7050	Finance costs	6(28)	(687,198)	(1)	(926,271)	(1)	
7000	Total non-operating income and expenses		150,100	-	(179,056)	-	
7900	Profit before income tax		14,950,908	13	14,666,562	13	
7950	Income tax expense	6(29)	(2,549,291)	(2)	(3,130,067)	(3)	
8200	Profit		\$ 12,401,617	11	\$ 11,536,495	10	

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	For the years ended December 31,				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Gains on remeasurements of defined benefit plans	6(17)	\$ 609	- \$ 345	-	
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)	11,474	- (68,671)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(122)	- (260)	-	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss	11,961	- (68,586)	-	-	
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation of foreign financial statements	6(22)	(3,324,465)	(3)	(1,417,114)	
8300	Other comprehensive loss	(\$ 3,312,504)	(3)	(\$ 1,485,700)	(1)	
8500	Total comprehensive income	<u>\$ 9,089,113</u>	<u>8</u>	<u>\$ 10,050,795</u>	<u>9</u>	
Profit attributable to:						
8610	Owners of the parent	\$ 8,685,202	8	\$ 8,447,792	7	
8620	Non-controlling interests	3,716,415	3	3,088,703	3	
		<u>\$ 12,401,617</u>	<u>11</u>	<u>\$ 11,536,495</u>	<u>10</u>	
Comprehensive income attributable to:						
8710	Owners of the parent	\$ 6,619,298	6	\$ 7,217,484	7	
8720	Non-controlling interests	2,469,815	2	2,833,311	2	
		<u>\$ 9,089,113</u>	<u>8</u>	<u>\$ 10,050,795</u>	<u>9</u>	
Basic earnings per share						
9750	Basic earnings per share	6(30)	\$ 9.93	\$ 10.50	-	
Diluted earnings per share						
9850	Diluted earnings per share	6(30)	\$ 9.92	\$ 9.54	-	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(b) (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity				
	Retained earnings				Other equity interest									
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations								
For the year ended December 31, 2018														
Balance at January 1, 2018	\$ 8,047,484	\$ 14,851,298	\$ 2,988,615	\$ 1,688,354	\$ 18,486,196	(\$ 1,717,913)	\$ -	\$ 44,344,034	\$ 10,917,285	\$ 55,261,319				
Profit for the year	-	-	-	-	8,447,792	-	-	8,447,792	3,088,703	11,536,495				
Other comprehensive income (loss) for the year	6(22)	-	-	-	85	(1,161,722)	(68,671)	(1,230,308)	(255,392)	(1,485,700)				
Total comprehensive income		-	-	-	8,447,877	(1,161,722)	(68,671)	7,217,484	2,833,311	10,050,795				
Appropriations and distribution of retained earnings	6(21)													
General reserve	-	-	517,244	-	(517,244)	-	-	-	-	-				
Special reserve	-	-	-	29,559	(29,559)	-	-	-	-	-				
Cash dividends	-	-	-	-	(2,655,670)	-	-	(2,655,670)	-	(2,655,670)				
Compensation cost of employee restricted stock	6(18)	-	96,645	-	-	-	-	96,645	28,151	124,796				
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	(827,540)	(827,540)				
Changes in non-controlling interests-issuance of common stock by subsidiaries		-	7,052,714	-	-	-	-	7,052,714	9,102,166	16,154,880				
Balance at December 31, 2018	\$ 8,047,484	\$ 22,000,657	\$ 3,505,859	\$ 1,717,913	\$ 23,731,600	(\$ 2,879,635)	(\$ 68,671)	\$ 56,055,207	\$ 22,053,373	\$ 78,108,580				
For the year ended December 31, 2019														
Balance at January 1, 2019	\$ 8,047,484	\$ 22,000,657	\$ 3,505,859	\$ 1,717,913	\$ 23,731,600	(\$ 2,879,635)	(\$ 68,671)	\$ 56,055,207	\$ 22,053,373	\$ 78,108,580				
Profit for the year	-	-	-	-	8,685,202	-	-	8,685,202	3,716,415	12,401,617				
Other comprehensive income (loss) for the year	6(22)	-	-	-	487	(2,081,075)	14,684	(2,065,904)	(1,246,600)	(3,312,504)				
Total comprehensive income		-	-	-	8,685,689	(2,081,075)	14,684	6,619,298	2,469,815	9,089,113				
Appropriations and distribution of retained earnings	6(21)													
General reserve	-	-	844,779	-	(844,779)	-	-	-	-	-				
Special reserve	-	-	-	1,230,393	(1,230,393)	-	-	-	-	-				
Cash dividends	-	-	-	-	(4,023,742)	-	-	(4,023,742)	-	(4,023,742)				
Conversion of convertible bonds	6(15)	974,815	7,431,639	-	-	-	-	-	8,406,454	8,406,454				
Compensation cost of employee restricted stock	6(18)	-	102,485	-	-	-	-	-	102,485	38,251	140,736			
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	(1,377,040)	(1,377,040)				
Balance at December 31, 2019	\$ 9,022,299	\$ 29,534,781	\$ 4,350,638	\$ 2,948,306	\$ 26,318,375	(\$ 4,960,710)	(\$ 53,987)	\$ 67,159,702	\$ 23,184,399	\$ 90,344,101				

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(b) (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 14,950,908	\$ 14,666,562
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	6(24) 7,724,398	6,739,651
Amortisation expense	6(24) 230,630	80,090
Impairment losses	1,447,245	745,571
Expected credit losses	12 20,943	11,873
Losses on disposal of property, plant and equipment	6(27) 65,454	165,887
Gains on disposal of land right-of-use	(9,031)	-
Rental expense - land right-of-use (within 'long-term prepaid rents')	- 158,965	158,965
Interest income	6(26) (1,245,417)	(1,060,710)
Interest expense	6(28) 687,198	926,271
Share-based payment	6(18) 140,736	124,796
Dividend income	- (2,643)	(2,643)
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets at fair value through profit or loss	3,437 4,498	4,498
Notes receivable	23,387 31,447	31,447
Accounts receivable	(3,133,298) 7,378,839	7,378,839
Accounts receivable due from related parties	(235,921) (437,064)	(437,064)
Other receivables	(237,551) 1,831,287	1,831,287
Inventories	1,233,198 1,247,962	1,247,962
Prepayments	308,515 (663,397)	(663,397)
Other current assets	264,726 (270,118)	(270,118)
Changes in operating liabilities		
Accounts payable	(2,268,393) (5,057,452)	(5,057,452)
Accounts payable to related parties	(421,087) 339,588	339,588
Other payables	10,563 1,685,015	1,685,015
Other current liabilities	(55,038) 13,574	13,574
Cash inflow generated from operations	19,505,602 28,660,492	28,660,492
Income tax paid	(3,232,138) (1,760,171)	(1,760,171)
Net cash flows from operating activities	<u>16,273,464</u>	<u>26,900,321</u>

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(b) (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
		2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at amortised cost		\$ 3,900,819	\$ 5,675,521
Acquisition of financial assets at fair value through other comprehensive income		(136,192)	-
Acquisition of property, plant and equipment	6(32)	(15,195,112)	(12,625,121)
Proceeds from disposal of property, plant and equipment		231,129	59,869
Acquisition of land right-of-use (within 'right-of-use assets/other non-current assets')	6(32)	(1,015,560)	(3,598,949)
Proceeds from disposal of land right-of-use		42,664	5,226
Acquisition of intangible assets		(251,124)	-
Increase in other non-current assets		(162,377)	(163,206)
Decrease (increase) in prepayments for business facilities		69,478	(35,144)
(Increase) decrease in refundable deposits		(15,574)	5,482
Increase in other non-current liabilities		182,392	-
Interest received		1,211,861	1,146,823
Dividend income		-	2,643
Net cash flows used in investing activities		<u>(11,137,596)</u>	<u>(9,526,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		783,662	(6,584,316)
Increase (decrease) in guarantee deposits received		80,562	(10,399)
Cash dividends paid	6(21)	(4,023,742)	(2,655,670)
Repayments of convertible bonds	6(15)	(147,233)	-
Payments of lease liabilities		(93,137)	-
Interest paid		(638,742)	(667,178)
Syndicated loan arrangement fee paid		-	(22,898)
Change in non-controlling interests - issuance of common stock by subsidiaries		-	16,154,880
Change in non-controlling interests - distribution of retained earnings by subsidiaries		<u>(1,377,040)</u>	<u>(827,540)</u>
Net cash flows (used in) from financing activities		<u>(5,415,670)</u>	<u>5,386,879</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(1,981,191)</u>	<u>(1,254,759)</u>
Net (decrease) increase in cash and cash equivalents		<u>(2,260,993)</u>	<u>21,505,585</u>
Cash and cash equivalents at beginning of year		<u>40,652,973</u>	<u>19,147,388</u>
Cash and cash equivalents at end of year		<u>\$ 38,391,980</u>	<u>\$ 40,652,973</u>
Components of cash and cash equivalents			
Cash and cash equivalents in the balance sheet		\$ 38,280,304	\$ 40,652,973
Cash and cash equivalents classified non-current assets or disposal group as held for sale		111,676	-
Cash and cash equivalents at end of year		<u>\$ 38,391,980</u>	<u>\$ 40,652,973</u>

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

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

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

The impact of the above standards and interpretations on the Group’s financial position and financial performance based on the Group’s assessment is listed below:

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', supersedes IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a right-of-use asset and a lease liability (except for those leases with lease terms of 12 months or less and leases of low value assets). The accounting stays the same for lessors, which is to classify and account for a lease as either an operating lease or a finance lease, and this standard only requires enhanced disclosures to be provided by the lessor.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective transition'), when applying 'IFRSs' effective in 2019 as endorsed by the FSC. Accordingly, the Group increased right-of-use asset and lease liability will be increased by \$8,058,382 (including the reclassification of long-term prepaid rents of \$7,727,595) and \$623,563 with respect to the lease contracts of lessees on January 1, 2019 (including the reclassification of payable on land right-of-use of \$292,776), respectively.
- C. The Group has applied the following practical expedients permitted by IFRS 16 at the date of initial application of IFRS 16:
 - (a) The application of IFRS 16 depends on the contracts that were previously identified as leases applying IAS 17 and IFRIC 4, and is not required to reassess whether a contract is, or contains, a lease.
 - (b) The exclusion of initial direct costs from the measurement of right-of-use asset.
 - (c) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (d) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly rental expense of \$326,640 was recognised for the year ended December 31, 2019.
- D. The Group calculated the present value of lease liabilities by using the incremental borrowing rate ranging from 1.04% to 4.35%.
- E. As of January 1, 2019, the reconciliation between the recognition of lease liabilities and the present value of operating lease commitments disclosed by applying IAS 17 with the discount rate of the incremental borrowing at the date of initial application is as follows:

Operating lease commitments applying IAS 17 as of December 31, 2018	\$ 442,256
Less: Exemptions of short-term leases	(9,560)
Less: Exemptions of low-value assets	(48)
Less: Exception for reassessed contracts	(<u>83,329</u>)
Total lease contracts amount of lease liabilities by applying IFRS 16 as of January 1, 2019	<u>\$ 349,319</u>
Lease liabilities recognised as of January 1, 2019 by applying IFRS 16	<u>\$ 330,787</u>

(2) Effect of new issuances of or amendments of IFRSs as endorsed by the FSC but not yet adopted by the Group

New, revised or amended standards and interpretations endorsed by the FSC effective from 2020 are

as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 7, IFRS 9 and IAS 39, 'Interest rate benchmark reform'	January 1, 2020

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

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers', International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.
- B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		
			December 31, 2019	December 31, 2018	Description
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Stand Enterprises Limited (Hong Kong)	Holding company	-	100	(a)
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hong Kong)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd.	Trading company	100	-	(b)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Manufacturing company	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	-	(c)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	100	-	(e)
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	100	-	(d)

- (a) For the year ended December 31, 2018, the Group has restructured the investment structure, and Pacific Stand Enterprises Limited (Hongkong) has completed the winding-up process in the second quarter of 2019.
- (b) On January 8, 2019, the Group invested in Huaian Jia Wei Industrial Development Co., Ltd., which has been included in the consolidation. It is mainly engaged in related building business.
- (c) On March 18, 2019, the Group invested in Avary Singapore Private Limited, located in Singapore, which has been included in the consolidation. It is mainly engaged in investment holdings.
- (d) On June 17, 2019, the Group invested in Avary Technology (India) Private Limited, located in India, which has been included in the consolidation. It is mainly engaged in manufacturing and processing of PCB.
- (e) On July 30, 2019, the Group invested in Avary Japan Co., Ltd., located in Japan, which has been included in the consolidation. It is mainly engaged in trading.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018, the non-controlling interests of the Group amounted to \$23,184,399 and \$22,053,373, respectively. The information on non-controlling interests and their subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		Amount	Ownership (%)
December 31, 2019			
Avary Holding (Shenzhen) Co., Limited	China	\$ 23,184,399	27.18%
Non-controlling interest			
December 31, 2018			
Name of subsidiary	Principal place of business	Non-controlling interest	
		Amount	Ownership (%)
Avary Holding (Shenzhen) Co., Limited	China	\$ 22,053,373	27.18%

Summary of the financial information of subsidiary

Balance sheets of Avary Holding (Shenzhen) Co., Limited

	December 31, 2019	December 31, 2018
Current assets	\$ 70,593,495	\$ 75,194,305
Non-current assets	54,104,439	48,810,042
Current liabilities	(38,383,281)	(42,386,256)
Non-current liabilities	(1,013,604)	(478,361)
Total net assets	\$ 85,301,049	\$ 81,139,730

Statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	For the years ended December 31,	
	2019	2018
Revenue	\$ 118,580,966	\$ 116,767,739
Profit before income tax	15,872,383	15,933,383
Income tax expense	(2,198,788)	(2,654,110)
Profit	13,673,595	13,279,273
Other comprehensive income, net of tax	29,754	103,913
Total comprehensive income	\$ 13,703,349	\$ 13,383,186
Comprehensive income attributable to non-controlling interests	\$ 2,469,815	\$ 2,833,311

Statements of cash flow of Avary Holding (Shenzhen) Co., Limited

	For the years ended December 31,	
	2019	2018
Net cash from operating activities	\$ 13,930,127	\$ 26,331,686
Net cash used in investing activities	(15,177,744)	(5,510,626)
Net cash (used in) from financing activities	(4,238,748)	5,464,546
Effect of exchange rate changes on cash and cash equivalents	(260,413)	(324,619)
Net (decrease) increase in cash and cash equivalents	(5,746,778)	25,960,987
Cash and cash equivalents at beginning of year	34,977,025	9,016,038
Cash and cash equivalents at end of year	<u><u>\$ 29,230,247</u></u>	<u><u>\$ 34,977,025</u></u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT \$30.91 (in dollars) to US \$1 (in dollar) and NT \$30.15 (in dollars) to US \$1 (in dollar) for the years ended December 31, 2019 and 2018, respectively; the closing rates were NT \$29.98 (in dollars) to US \$1 (in dollar) and NT \$30.72 (in dollars) to US \$1 (in dollar) as of December 31, 2019 and 2018, respectively.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date; or
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at

amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets and
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
 - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet both of the following conditions:

- (a) The financial assets held within a business model whose objective is in order to collect contractual cash flows, and
- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the

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

(15) Non-current assets (or disposal groups)

The non-current assets (or disposal group) classified as held for sale shall be measured at the lower of their carrying amount and fair value less costs to sell if the sale will be highly probable and their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 to 53 years
Machinery and equipment	2 to 10 years
Leased assets	20 years
Leasehold improvements	5 years
Other equipment	2 to 15 years

(17) Leases (lessee)

Applicable for the periods after January 1, 2019

- A. The lease assets are recognised within the right-of-use asset and lease liability at the date available for use by the Group. Lease payments are recognised as an expense on a straight-line basis over the lease term for either short-term leases or leases for which the underlying asset is of low value.
- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

Applicable for the periods before December 31, 2018

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

(18) Intangible assets

- A. Computer software

Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.

- B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated

based on the operating segment to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(21) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

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

(23) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary share by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options, and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.

- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in the ‘capital surplus-share options’ at the residual amount of total issue price less amounts of the ‘bonds payable’ as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the ‘capital surplus-share options’.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees’ remuneration and directors’ remuneration

Employees’ remuneration and directors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees’ remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors’ resolution.

(25) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
 - (a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Different tax regulations are applicable to the Group according to the countries where the companies are registered:
 - (a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) For the companies that are registered in the Republic of China, in addition to income tax that

is estimated in accordance with the tax laws, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, in addition to applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and regulations.

- (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
- (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
- (e) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts credits and price concessions.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial component

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(29) Government grants

Government grants shall not be recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises as the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(30) Business combinations

A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. The consideration

transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. If the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as 'gain recognised in bargain purchase transaction'.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the

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

As of December 31, 2019, the carrying amount of inventories was \$8,516,862.

B. Impairment assessment of tangible assets

The Group assesses impairment based on several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristics. Any changes of economic circumstances or estimates due to the change of the Group strategy might cause material impairment on assets in the future.

As of December 31, 2019, the carrying amount of property, plant and equipment was \$46,242,613 considering the recognition of impairment loss.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	\$ 3,285	\$ 3,232
Checking accounts and demand deposits	26,733,935	22,631,171
Cash equivalents		
Time deposits	11,654,760	18,018,570
	38,391,980	40,652,973
Classification of non-current assets as held for sale	(111,676)	-
Cash and cash equivalents presented in the balance sheet	\$ 38,280,304	\$ 40,652,973

- A. For the years ended December 31, 2019 and 2018, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are referred to Note 6(6).
- B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2019	December 31, 2018
Current items - assets:		
Forward foreign exchange contracts	\$ -	\$ 3,437

- A. The Group recognised net gain of \$9,697 and \$15,139 within 'financial assets at fair value through profit or loss held for trading' for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

December 31, 2018		
Derivative Instruments	Contract Amount (Notional Principal in thousands)	Contract Period
Current items:		
Forward foreign exchange contracts	RMB (BUY) 48,934 USD (SELL) (7,000)	2018/11~2019/2

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export transactions. However, these forward foreign exchange contracts do not meet the criteria of hedge accounting.

C. As of December 31, 2019, the Group has no unsettled forward foreign exchange transactions.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 51,209	\$ 76,594
Accounts receivable	<u>24,284,254</u>	<u>21,594,939</u>
	24,335,463	21,671,533
Less: Allowance for bad debts	(75,922)	(39,673)
	<u>\$ 24,259,541</u>	<u>\$ 21,631,860</u>
Accounts receivable due from related parties	\$ 2,833,199	\$ 2,666,750
Less: Allowance for bad debts	(5,090)	(22,231)
	<u>\$ 2,828,109</u>	<u>\$ 2,644,519</u>

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

	December 31, 2019	December 31, 2018
Not past due	\$ 27,080,296	\$ 24,121,424
Between 1 and 90 days	84,908	205,009
Between 91 and 180 days	1,647	8,954
Over 180 days	1,811	2,896
	<u>\$ 27,168,662</u>	<u>\$ 24,338,283</u>

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2018, the balance of receivables arising from contracts with customers amounted to \$30,670,120.

C. The Group does not hold any collateral as security.

D. Please refer to Note 12(2) for the information of credit risk.

(4) Other receivables and prepayments

	December 31, 2019	December 31, 2018
Other receivables		
Business tax refundable	\$ 828,943	\$ 506,371
Interest income receivable	232,957	198,295
Guarantee deposits receivable	206,899	-
Others	<u>37,548</u>	<u>151,117</u>
	<u><u>\$ 1,306,347</u></u>	<u><u>\$ 855,783</u></u>
Prepayments		
Excess business tax paid	\$ 2,029,571	\$ 2,940,840
Prepaid expenses	1,015,944	712,844
Others	<u>14,522</u>	<u>19,634</u>
	<u><u>\$ 3,060,037</u></u>	<u><u>\$ 3,673,318</u></u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,933,830	(\$ 224,729)	\$ 2,709,101
Work in process	2,306,804	(92,292)	2,214,512
Finished goods	<u>3,985,692</u>	<u>(392,443)</u>	<u>3,593,249</u>
	<u><u>\$ 9,226,326</u></u>	<u><u>(\$ 709,464)</u></u>	<u><u>\$ 8,516,862</u></u>
	December 31, 2018		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,305,687	(\$ 294,428)	\$ 2,011,259
Work in process	1,703,362	(79,178)	1,624,184
Finished goods	<u>6,706,002</u>	<u>(257,563)</u>	<u>6,448,439</u>
	<u><u>\$ 10,715,051</u></u>	<u><u>(\$ 631,169)</u></u>	<u><u>\$ 10,083,882</u></u>

Expenses and losses incurred on inventories for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	\$ 93,384,113	\$ 91,634,709
Impairment losses	338,936	446,035
Losses on valuation of inventory	111,061	146,398
Income from sale of scraps and wastes	(988,611)	(375,209)
	<u>\$ 92,845,499</u>	<u>\$ 91,851,933</u>

(6) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Current items:		
Time deposits with maturity of over three months	\$ 955,852	\$ 6,658,081
Guaranteed income financial products	3,835,070	1,843,200
Corporate bonds	-	277,516
	<u>\$ 4,790,922</u>	<u>\$ 8,778,797</u>

- A. Please refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the years ended December 31, 2019 and 2018.
- B. The Group has no financial assets at amortised cost pledged to others as collateral.
- C. Please refer to Note 12(2) for the information of credit risk.

(7) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity instruments		
Unlisted stocks	\$ 257,184	\$ 120,992
Valuation adjustment	(57,197)	(68,671)
Net exchange differences	(6,183)	152
	<u>\$ 193,804</u>	<u>\$ 52,473</u>

- A. The Group has elected to classify the investments in Synpower Co., Ltd. and Jiangsu Aisen Semiconductor Material Co., Ltd. that are considered to be strategic investments as financial assets at fair value through other comprehensive income.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2019	2018
Equity instruments	\$ 11,474	(\$ 68,671)
C. The Group has no financial assets at fair value through other comprehensive income pledged to others.		

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2019</u>						
Cost	\$ 51,075	\$ 17,641,398	\$ 40,296,156	\$ 12,424,359	\$ 5,118,832	\$ 75,531,820
Accumulated depreciation and impairment	-	(6,908,160)	(20,274,370)	(6,341,540)	(94,584)	(33,618,654)
	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>
<u>2019</u>						
Opening net carrying amount	\$ 51,075	\$ 10,733,238	\$ 20,021,786	\$ 6,082,819	\$ 5,024,248	\$ 41,913,166
Additions (transfers)	-	4,418,635	6,709,393	3,455,734	527,397	15,111,159
Disposals	-	(32,568)	(182,864)	(81,151)	-	(296,583)
Depreciation expense	-	(1,181,351)	(4,202,753)	(1,990,593)	-	(7,374,697)
Impairment losses	-	-	(1,428,715)	-	-	(1,428,715)
Net exchange differences	(7)	(518,754)	(674,337)	(280,902)	(207,717)	(1,681,717)
Closing net carrying amount	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>At December 31, 2019</u>						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	(7,442,487)	(21,991,287)	(7,608,695)	(91,035)	(37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2018</u>						
Cost	\$ 50,997	\$ 17,000,094	\$ 35,240,022	\$ 9,798,157	\$ 3,124,222	\$ 65,213,492
Accumulated depreciation and impairment	-	(6,548,725)	(16,797,220)	(5,186,094)	-	(28,532,039)
	<u>\$ 50,997</u>	<u>\$ 10,451,369</u>	<u>\$ 18,442,802</u>	<u>\$ 4,612,063</u>	<u>\$ 3,124,222</u>	<u>\$ 36,681,453</u>
<u>2018</u>						
Opening net carrying amount	\$ 50,997	\$ 10,451,369	\$ 18,442,802	\$ 4,612,063	\$ 3,124,222	\$ 36,681,453
Additions (transfers)	-	1,774,444	6,771,750	3,151,900	2,132,977	13,831,071
Disposals	-	(76,166)	(77,654)	(40,330)	(31,606)	(225,756)
Depreciation expense	-	(1,124,495)	(4,096,691)	(1,518,465)	-	(6,739,651)
Impairment losses	-	(84,211)	(564,960)	-	(96,400)	(745,571)
Net exchange differences	78	(207,703)	(453,461)	(122,349)	(104,945)	(888,380)
Closing net carrying amount	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>
<u>At December 31, 2018</u>						
Cost	\$ 51,075	\$ 17,641,398	\$ 40,296,156	\$ 12,424,359	\$ 5,118,832	\$ 75,531,820
Accumulated depreciation and impairment	-	(6,908,160)	(20,274,370)	(6,341,540)	(94,584)	(33,618,654)
	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>

- A. The significant parts of the Group's buildings structures include main plants and auxiliary improvements, which are depreciated over 20~53 years and 5~10 years, respectively.
- B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost and value-in-use calculations at discount rate of 8.02% and 5.03% respectively. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$1,428,715 and \$745,571 for the years ended December 31, 2019 and 2018, respectively. The amounts recognised in 2019 were shown within the 'operating costs' of \$338,936 and the 'other gains and losses' of \$1,089,779 while the amounts recognised in 2018 were shown within the 'operating costs' of \$446,035 and the 'other gains and losses' of \$299,536. The impairment losses belong to PCB segments.
- C. The Group has no property, plant and equipment pledged to others.

(9) Right-of-use assets/Lease liabilities

- A. The assets leased by the Group include land right-of-use, buildings and official vehicles. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of land right-of-use of 30 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The information of the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	December 31, 2019
	Carrying amount
Land right-of-use	\$ 7,799,693
Buildings	217,119
Transportation equipment (official vehicles)	<u>18,838</u>
	<u>\$ 8,035,650</u>
<hr/>	
For the year ended December 31, 2019	
	Depreciation expense
Land right-of-use	\$ 252,932
Buildings	80,187
Transportation equipment (official vehicles)	<u>16,582</u>
	<u>\$ 349,701</u>

- C. The acquisition of the right-of-use assets for the year ended December 31, 2019 was \$739,816. As of December 31, 2019, there were land right-of-use contracts of \$719,677 in the process of registration between the subsidiaries of the Group and the local government.
- D. The Group recognised as rental expense for either the lease term of less than 12 months or leases

for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

<u>Items affecting current profit or loss</u>	<u>For the year ended December 31, 2019</u>
Interest expense from lease liabilities	\$ 8,531
Rental expenses for short-term lease contracts	\$ 326,640

E. The cash flows used in the lease payments of the Group for the year ended December 31, 2019 was \$1,443,868.

F. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on right-of-use assets of \$18,530 for the year ended December 31, 2019. The impairment losses belong to PCB segments.

(10) Intangible assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Software	\$ 270,859	\$ 93,894
Goodwill	89,511	91,721
	<u>\$ 360,370</u>	<u>\$ 185,615</u>

The Group acquired 100% shares of Hong Heng Sheng Electronical Technology (Huainan) Co., Ltd. in 2008, and recognised goodwill under the acquisition method.

(11) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayments for business facilities	\$ 171,096	\$ 84,994
Refundable deposits	102,417	44,842
Long-term prepaid rent (Land right-of-use)	-	7,727,595
Others	<u>163,631</u>	<u>179,774</u>
	<u>\$ 437,144</u>	<u>\$ 8,037,205</u>

A. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. From January 1, 2019, the long-term prepaid rent reclassified to right-of-use assets is referred to Note 6(9).

B. The Group recognised rental expenses of \$158,965 for the year ended December 31, 2018.

(12) Non-current groups classified as held for sale

The assets and liabilities of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd., which the Board of Directors approved to sell in order to optimise the deployment of resources and enhance management efficiency and operating performance of whole assets on December 27, 2019, were reclassified as disposal group classified as held for sale which belongs to PCB segment. The completion of the transaction is expected by the first half of 2020. As of December 31, 2019, the

assets and liabilities of the disposal group classified as held for sale amounted to \$161,211 and \$480,371, respectively.

A. Assets of disposal group classified as held for sale:

	December 31, 2019
Cash and cash equivalents	\$ 111,676
Others	49,535
Total	\$ 161,211

B. Liabilities related to non-current assets classified as held for sale:

	December 31, 2019
Accounts payable	\$ 395,481
Other payables	68,897
Others	15,993
Total	\$ 480,371

C. The impairment loss of the disposal group classified as held for sale, presented in property, plant and equipment and right-of-use assets, was measured at the lower of its carrying amount or fair value less costs to sell. Please refer to Note 12(3) for the information of fair value.

(13) Short-term borrowings

	December 31, 2019	December 31, 2018
Credit loans	\$ 9,682,812	\$ 9,184,066
Interest rate range	2.17%~2.56%	2.23%~4.79%

(14) Other payables

	December 31, 2019	December 31, 2018
Payable on machinery and equipment	\$ 3,927,125	\$ 4,190,436
Wages and bonuses payable	3,840,859	3,289,246
Payable on mold and jig	1,485,561	1,864,188
Repairs and maintenance fees payable	830,379	928,325
Payable on consumable goods	375,025	500,549
Others	1,990,571	2,573,778
	\$ 12,449,520	\$ 13,346,522

(15) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
2nd overseas unsecured convertible bonds:		
Bonds payable	\$ -	\$ 8,794,901
Less: Discount on bonds payable	- (95,582)	8,699,319
 Total bonds payable	 - (8,699,319)	 8,699,319
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')	- (8,699,319)	8,699,319
Bonds payable	\$ -	\$ -

A. Conditions for issuance of 2nd overseas unsecured convertible bonds are as follows:

- (a) The competent authority has approved the Company's second issuance of overseas unsecured corporate bonds on June 6, 2014. The total issue amount of the bonds is USD 300,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 26, 2014 to June 26, 2019.
- (b) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of June 26, 2019, no bonds have been converted into ordinary shares, and the conversion price was NTD 86.1660 (exchange rate of NTD 30.02 (in dollars) to USD 1 (in dollar)).
- (c) The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0.125% (calculated semi-annually) as interest compensation (100.38% of the principal amount of the corporate bonds) on June 26, 2017. On June 26, 2017, the bondholders redeemed a total of USD 15,500 thousand.
- (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0.125% based on the principal amount (calculated semi-annually). The redemption amount is about 100.63% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
- (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
- (f) According to the terms of the bonds, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share. As of June 26, 2019, the maturity date of convertible bonds, the Company's 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to 'ordinary share' of \$974,815 (97,481,528 shares) with a par value of \$10 (in New Taiwan dollars) and 'capital surplus - additional paid-in capital arising from bond conversion' of \$8,251,204 based on the conversion price on the

conversion date. The remaining expired convertible bonds with par value of USD 4,700 thousand were redeemed at maturity.

(g) The effective rate of the corporate bonds is 2.3%.

B. Regarding the issuance of 1st overseas unsecured corporate bonds in 2012, the equity conversion options were separated from the liability component in accordance with IAS 32. As of June 7, 2015, the maturity date of convertible bonds, the remaining unconverted shared options were recognised within ‘capital surplus-expired share options’ of \$258.

C. Regarding the issuance of the 2nd overseas unsecured corporate bonds in 2014, the equity conversion options were separated from the liability component in accordance with IAS 32. As of June 26, 2017 and 2019, the Company’s 2nd overseas unsecured corporate bonds with par value of USD 15,500 thousand and USD 4,700 thousand were redeemed, respectively, and recognised within ‘capital surplus-expired share options’ of \$45,401 and \$13,767, respectively.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 31, 2019
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,994,000 (13,116) \$ 8,980,884
Less: Syndicated loan arrangement fees		
Interest rate		3.02%

Type of borrowings	Borrowing period and repayment term	December 31, 2018
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 9,216,000 (21,120) \$ 9,194,880
Less: Syndicated loan arrangement fees		
Interest rate		3.41%

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. As of December 31, 2019, the Company was in compliance with the terms of the syndicated loan agreement.

(17) Pensions

A. Defined benefit plans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of funded defined benefit obligations	(\$ 3,927)	(\$ 3,911)
Fair value of plan assets	16,469	15,741
Net defined benefit asset (within "other non-current assets")	<u>\$ 12,542</u>	<u>\$ 11,830</u>

(a) The Group's subsidiary in Taiwan, Zhen Ding Technology Co., Ltd., has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Taiwan subsidiary contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiary assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiary is required to fund the deficit in one appropriation before the end of next March.

(b) Movements in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2019	(\$ 3,911)	\$ 15,741	\$ 11,830
Interest (expense) income of net defined benefit asset	(29)	117	88
	(3,940)	15,858	11,918

Remeasurements:

Return on plan assets (excluding aforementioned interest income or expense)	-	596	596
Change in demographic assumptions	(1)	-	(1)
Change in financial assumptions	(25)	-	(25)
Experience adjustments	39	-	39
	13	596	609
Pension fund contribution	-	15	15
Balance at December 31, 2019	(\$ 3,927)	\$ 16,469	\$ 12,542

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2018	(\$ 3,730)	\$ 15,114	\$ 11,384
Interest (expense) income of net defined benefit asset	(17)	103	86
	(3,747)	15,217	11,470

Remeasurements:

Return on plan assets (excluding aforementioned interest income or expense)	-	509	509
Change in demographic assumptions	(1)	-	(1)
Experience adjustments	(163)	-	(163)
	(164)	509	345
Pension fund contribution	-	15	15
Balance at December 31, 2018	(\$ 3,911)	\$ 15,741	\$ 11,830

(c) The Bank of Taiwan was commissioned to manage the plan assets of the Fund for the Taiwan subsidiary's defined benefit pension plan in accordance with the Fund's annual investment

and utilisation plan and the ‘Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund’ (Article 6: the scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the amounts accrued from the local bank interest rates of two-year time deposits. If the earnings is inadequate, government shall make payment for the deficit after being authorised by the Taiwan Competent Authority. The Taiwan subsidiary has no right to participate in managing and operating the Fund and hence the Taiwan subsidiary is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. As of December 31, 2019 and 2018, the fair value of plan assets is given in the ‘Utilization Status of the Labor Funds’ announced by the local government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.65%	0.75%
Rate of future salary increase	2.00%	2.00%
Rate of employee turnover	0.43%	0.41%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The analysis of the present value of defined benefit obligation due to the main actuarial assumption changes was as follows:

	Discount rate		Rate of future salary increase		Rate of employee turnover	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%	110% of expected rate	90% of expected rate
	December 31, 2019					
Increase (decrease) in present value of defined benefit obligations	(\$ 64)	\$ 66	\$ 65	(\$ 63)	\$ -	\$ -
December 31, 2018						
Increase (decrease) in present value of defined benefit obligations	(\$ 65)	\$ 68	\$ 67	(\$ 65)	\$ -	\$ -

The aforementioned sensitivity analysis was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change simultaneously. The method of analysing sensitivity is the same as the calculating method of net pension assets in the balance sheet.

(e) Expected contributions to the defined benefit pension plans of the Group are \$52 for the year ended December 31, 2020.

B. Defined contribution plan

(a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$31,221 and \$24,991 for the years ended December 31, 2019 and 2018, respectively.

(b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$1,037,821, and \$962,727 for the years ended December 31, 2019 and 2018, respectively.

(18) Share-based payment

A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(b)

(a) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 7 years starting from the purchase date and achieves the performance goal. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the lower of the investment amount or the carrying amount of net assets. However, appropriated dividend is not required to be returned.

(b) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.

B. Employee restricted stocks

The numbers of employee restricted stocks are as follows (in thousand shares):

	For the years ended December 31,	
	2019	2018
Outstanding at January 1	185,080	185,080
Numbers granted during the years	-	-
Numbers returned during the years	(1,808)	-
Outstanding at December 31	183,272	185,080

C. Expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31,	
	2019	2018
Expenses incurred on employee restricted stocks	\$ 140,736	\$ 124,796

(19) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$16,000,000, and the issued capital is \$9,022,299, consisting of 902,230 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.

Reconciliation between the beginning and the ending of the Company's ordinary shares outstanding is as follows:

	For the years ended December 31,	
	2019	2018
	Number of shares (shares in thousands)	Number of shares (shares in thousands)
At January 1	804,748	804,748
Conversion of overseas convertible bonds	97,482	-
At December 31	902,230	804,748

B. The 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to 'ordinary share' of 97,482 thousand shares with a par value of \$10 in New Taiwan dollars, and the paid-in capital increased \$974,815 for the year ended December 31, 2019.

(20) Capital surplus

	For the year ended December 31, 2019					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 10,057,967	\$ 22,000,657
Employee restricted stocks	-	-	-	-	102,485	102,485
Redemption of bonds payable	-	8,251,204	(833,332)	13,767	-	7,431,639
At December 31	<u>\$ 5,690,348</u>	<u>\$ 13,624,555</u>	<u>\$ -</u>	<u>\$ 59,426</u>	<u>\$ 10,160,452</u>	<u>\$ 29,534,781</u>

	For the year ended December 31, 2018					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 2,908,608	\$ 14,851,298
Employee restricted stocks	-	-	-	-	96,645	96,645
Changes in non- controlling interests	-	-	-	-	7,052,714	7,052,714
At December 31	<u>\$ 5,690,348</u>	<u>\$ 5,373,351</u>	<u>\$ 833,332</u>	<u>\$ 45,659</u>	<u>\$ 10,057,967</u>	<u>\$ 22,000,657</u>

A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.

B. Please refer to Note 6(15) for capital surplus - conversion options, capital surplus - expired share options and capital surplus - additional paid-in capital arising from bond conversion.

(21) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the Board of Directors shall set aside out of the current year's earnings sequentially as follows:

- (a) A reserve for payment of tax for the relevant financial year;
- (b) An amount to offset losses incurred in previous years;
- (c) Ten percent (10%) as a general reserve, and
- (d) A special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board of Directors.

The remainder shall be distributed pursuant to the proposal of the Board of Directors in accordance with Company's dividend policy and approved by the shareholders.

B. The appropriations of 2018 and 2017 earnings have been approved by the shareholders during their meeting on June 21, 2019 and June 4, 2018, respectively. Details are summarised as follows:

	2018		2017	
	Dividends per share (in New Taiwan dollars)		Dividends per share (in New Taiwan dollars)	
	Amount	Taiwan dollars	Amount	Taiwan dollars
General reserve	\$ 844,779		\$ 517,244	
Special reserve	1,230,393		29,559	
Cash dividends	4,023,742	4.46	2,655,670	3.30
Total	\$ 6,098,914		\$ 3,202,473	

On March 30, 2020, the Board of Directors proposed for the appropriation of cash dividends from 2019 earnings amounting to \$4,060,034 at \$4.50 in New Taiwan dollars per share.

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

C. Regarding employees' remuneration and directors' remuneration, please refer to Note 6(25).

(22) Other equity interest

	Unrealised gains	(losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2019	(\$ 68,671)	(\$ 2,879,635)	(\$ 2,948,306)	
Valuation adjustment	14,684		-	14,684
Currency translation differences:				
–Group		- (2,081,075)	(2,081,075)	
At December 31, 2019	(\$ 53,987)	(\$ 4,960,710)	(\$ 5,014,697)	

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2018	\$ -	(\$ 1,717,913)	(\$ 1,717,913)
Valuation adjustment	(68,671)	-	(68,671)
Currency translation differences:			
–Group		- (1,161,722)	(1,161,722)
At December 31, 2018	(\$ 68,671)	(\$ 2,879,635)	(\$ 2,948,306)

(23) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 120,067,508	\$ 117,912,881

The Group derives revenue from the transfer of goods and services at a point in time. Please refer to Note 14(5) for the Group's geographical revenue based on the countries where customers are located.

(24) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	\$ 16,544,669	\$ 14,504,787
Depreciation expense	7,724,398	6,739,651
Amortisation expense	230,630	80,090
	<u>\$ 24,499,697</u>	<u>\$ 21,324,528</u>

The employee benefit expense includes pension gains of \$88 and \$86 which are shown within 'other gains and losses' for the years ended December 31, 2019 and 2018, respectively.

(25) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 13,356,823	\$ 11,627,893
Employees' remuneration	75,057	77,339
Labor and health insurance fees	594,581	510,151
Pension expenses	1,068,954	987,632
Other personnel expenses	1,449,254	1,301,772
	<u>\$ 16,544,669</u>	<u>\$ 14,504,787</u>

A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration between zero point five percent (0.5%) and twenty percent (20%) and

distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributed earnings covering accumulated losses.

- B. For the years ended December 31, 2019 and 2018, employees' remunerations were accrued of \$75,057 and \$77,339, respectively; while directors' remunerations were accrued of \$10,500 and \$10,500, respectively.
- C. Employees' remuneration and directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2018 were equal to the amount recognised in the financial statements for the year ended December 31, 2018.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(26) Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Interest income from bank deposits	\$ 928,582	\$ 467,294
Interest income from financial assets at amortised cost	316,835	593,416
Government grant revenue	699,025	531,158
Others	83,815	76,728
	<u>\$ 2,028,257</u>	<u>\$ 1,668,596</u>

(27) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gains (losses)	\$ 20,191	(\$ 394,411)
Net gains on financial assets at fair value through profit or loss	9,697	15,139
Net losses on disposal of property, plant and equipment	(65,454)	(165,887)
Impairment loss on property, plant and equipment	(1,089,779)	(299,536)
Others	(65,614)	(76,686)
	<u>(\$ 1,190,959)</u>	<u>(\$ 921,381)</u>

(28) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	\$ 622,077	\$ 724,371
Amortisation of convertible bond discounts	48,862	187,617
Amortisation of syndicated loan arrangement fees	7,728	14,283
Interest expense from lease liabilities	8,531	-
Total	<u>\$ 687,198</u>	<u>\$ 926,271</u>

(29) Income tax

A. Components of income tax expense

	For the years ended December 31,	
	2019	2018
Current tax:		
Tax payable arising from the current period	\$ 2,983,083	\$ 2,984,413
Adjustments in respect of prior years	(135,815)	(74,541)
Total current tax	<u>2,847,268</u>	<u>2,909,872</u>
Deferred tax:		
Origination and reversal of temporary differences	(297,977)	228,356
Effect from tax rate change	- (8,161)	(8,161)
Total deferred tax	<u>(297,977)</u>	<u>220,195</u>
Income tax expense	<u><u>\$ 2,549,291</u></u>	<u><u>\$ 3,130,067</u></u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 2,522,065	\$ 2,305,962
Effects from items unrecognised by tax regulations	137,373	266,756
Effects from adjustments in respect of prior years	(135,815)	(74,541)
Effect from tax rate change	- (8,161)	(8,161)
Effects from re-evaluation of deferred tax liabilities	<u>25,668</u>	<u>640,051</u>
Income tax expense	<u><u>\$ 2,549,291</u></u>	<u><u>\$ 3,130,067</u></u>

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

	For the year ended December 31, 2019				
	Recognised				
	Recognised	in other	Net		
	in profit	comprehensive	exchange		
	January 1	income	differences	December 31	
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 71,119	\$ 32,016	\$ -	\$ 10,916	\$ 114,051
Wages and bonuses payable	168,501	146,946	-	13,151	328,598
Impairment loss on property, plant and equipment	102,992	(94,693)	-	(324)	7,975
Unrealised profit from sales in respect of inventory	316,954	(99,809)	-	(6,739)	210,406
Others	<u>364,925</u>	<u>444,052</u>	<u>-</u>	<u>(61,969)</u>	<u>747,008</u>
Subtotal	<u>1,024,491</u>	<u>428,512</u>	<u>-</u>	<u>(44,965)</u>	<u>1,408,038</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(326,139)	(150,573)	-	4,980	(471,732)
Remeasurement of defined benefit obligations	(402)	(24)	(122)	-	(548)
Others	<u>(531,103)</u>	<u>20,062</u>	<u>-</u>	<u>10,529</u>	<u>(500,512)</u>
Subtotal	<u>(857,644)</u>	<u>(130,535)</u>	<u>(122)</u>	<u>15,509</u>	<u>(972,792)</u>
Total	<u>\$ 166,847</u>	<u>\$ 297,977</u>	<u>(\$ 122)</u>	<u>(\$ 29,456)</u>	<u>\$ 435,246</u>

For the year ended December 31, 2018

	January 1	Recognised in profit or loss	in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 67,295	\$ 5,328	\$ -	(\$ 1,504)	\$ 71,119
Wages and bonuses payable	120,672	51,345	-	(3,516)	168,501
Impairment loss on property, plant and equipment	92,722	12,499	-	(2,229)	102,992
Unrealised profit from sales in respect of inventory	226,241	85,016	-	5,697	316,954
Others	318,981	53,397	-	(7,453)	364,925
Subtotal	825,911	207,585	-	(9,005)	1,024,491
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	- (332,398)	-	-	6,259	(326,139)
Remeasurement of defined benefit obligations	(266)	124	(260)	-	(402)
Others	(422,941)	(95,506)	-	(12,656)	(531,103)
Subtotal	(423,207)	(427,780)	(260)	(6,397)	(857,644)
Total	\$ 402,704	(\$ 220,195)	(\$ 260)	(\$ 15,402)	\$ 166,847

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	\$ 7,694,382	\$ 6,311,452
Tax effect	\$ 1,923,595	\$ 1,577,863

E. The income tax returns of the Group's subsidiary, Zhen Ding Technology Co., Ltd., through 2017 have been assessed and approved by the Tax Authority.

F. The income tax returns of the Group's subsidiary, Garuda Technology Co., Ltd., through 2017

have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act of Taiwan issued into effect on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

For the year ended December 31, 2019		
	Weighted average number of ordinary shares outstanding	Earnings per share (in New Taiwan dollars)
	Amount after tax (shares in thousands)	Taiwan dollars)
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 8,685,202	874,836 \$ 9.93
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 8,685,202	874,836
Assumed conversion of all dilutive potential ordinary shares		
Employees' remuneration		724
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 8,685,202	875,560 \$ 9.92

For the year ended December 31, 2018

	Weighted average number of ordinary shares outstanding	Earnings per share (in New Taiwan dollars)
<u>Amount after tax</u> (shares in thousands)	<u>Taiwan dollars</u>	
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 8,447,792	804,748 \$ 10.50
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 8,447,792	804,748
Assumed conversion of all dilutive potential ordinary shares		
Overseas convertible bonds	187,617	99,119
Employees' bonus	-	1,217
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 8,635,409	905,084 \$ 9.54

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(31) Transactions with non-controlling interest

- The Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, issued new shares on September 11, 2018. The Group did not subscribe for the issuance of new shares in percentage of its ownership ratio, thus the Group decreased its ownership ratio by 8.09%. The transaction increased non-controlling interest by \$9,102,166. Meanwhile, the equity attributable to owners of parent increased by \$7,052,714.
- The effect of the equity attributable to owners of parent of the Group for the year ended December 31, 2018 is shown below:

	For the year ended December 31, 2018
Issuance of common stock by subsidiaries	\$ 16,154,880
Increase in the carrying amount of non-controlling interests	(9,102,166)
Effects of the equity attributable to owners of parent	\$ 7,052,714
Adjustments on the equity attributable to owners of parent	
Capital surplus-changes in non-controlling interests	<u>\$ 7,052,714</u>

(32) Additional information of cash flows

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2019	2018
Acquisition of property, plant and equipment	\$ 15,111,159	\$ 13,831,071
Add: Opening balance of payable on machinery and equipment (within 'other payables')	4,190,436	3,066,678
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(3,927,125)	(4,190,436)
Reclassified as held for sale	(27,255)	-
Net exchange differences	(152,103)	(82,192)
Cash paid during the period	<u>\$ 15,195,112</u>	<u>\$ 12,625,121</u>

	For the years ended December 31,	
	2019	2018
Acquisition of land right-of-use	\$ 719,677	\$ 3,897,344
Add: Opening balance of payable on land right-of-use (within 'other payables')	292,776	-
Less: Ending balance of payable on land right-of-use (within 'other payables')	- (292,776)	(292,776)
Net exchange differences	<u>3,107</u>	<u>(5,619)</u>
Cash paid during the period	<u>\$ 1,015,560</u>	<u>\$ 3,598,949</u>

B. Financing activities without cash flow effects

	For the year ended December 31, 2019	
Convertible bonds converted to ordinary share	\$ 974,815	
Capital surplus		
Additional paid-in capital arising from bond conversion	8,251,204	
Share options	(819,565)	
Convertible bonds converted to equity	<u>\$ 8,406,454</u>	

C. Changes in liabilities from financing activities

For the years ended December 31, 2019 and 2018, the changes of the Group in liabilities arising from financing activities were the changes in not only financing cash flow but also exchange rate, and were not the changes in non-cash items. Please refer to consolidated statements of cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties and relationship	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties

(2) Significant related party transactions and balances

A. Sales

	For the years ended December 31,	
	2019	2018
Sales of goods:		
Entity with significant influence over the Company	\$ 7,348,959	\$ 6,494,871
Other related parties	<u>1,081,932</u>	<u>1,492,554</u>
	<u>\$ 8,430,891</u>	<u>\$ 7,987,425</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

B. Purchases

	For the years ended December 31,	
	2019	2018
Purchases of goods:		
Entity with significant influence over the Company	\$ 907,573	\$ 829,169
Other related parties	<u>1,405,211</u>	<u>1,913,788</u>
Total	<u>\$ 2,312,784</u>	<u>\$ 2,742,957</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months.

C. Accounts receivable:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable - related parties:		
Entity with significant influence over the Company	\$ 2,587,592	\$ 2,409,295
Other related parties	<u>245,607</u>	<u>257,455</u>
	2,833,199	2,666,750
Allowance for bad debts	(5,090)	(22,231)
Total	<u>\$ 2,828,109</u>	<u>\$ 2,644,519</u>

D. Accounts payable:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable - related parties:		
Entity with significant influence over the Company	\$ 122,034	\$ 139,496
Other related parties	<u>456,976</u>	<u>883,145</u>
	<u>\$ 579,010</u>	<u>\$ 1,022,641</u>

(3) Key management remuneration

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	<u>\$ 236,371</u>	<u>\$ 187,757</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 323,591</u>	<u>\$ 2,817,011</u>

B. Operating lease agreement

The Group entered into the plant and equipment contracts with third parties. Under the contracts, the Group's future minimum lease payments are as follows:

	<u>December 31, 2018</u>
Within one year	\$ 155,534
Between one and five year(s)	<u>286,722</u>
	<u>\$ 442,256</u>

Since January 1, 2019, the Group has adopted IFRS 16 to recognise the lease contracts as right-

of-use asset and lease liability in accordance with the standards, IFRIC interpretations and SIC interpretations. Please refer to Note 6(9) for details. The lease contracts of the short-term leases were within one year.

C. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unused letters of credit	<u>\$ 1,946,326</u>	<u>\$ 1,152,059</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. As of March 30, 2020, the Group has taken countermeasures against the COVID-19 pandemic, which occurred in the beginning of 2020. The subsidiaries in Mainland China have resumed production gradually in February 2020, and the Group has coordinated with customers and suppliers to adjust the shipping schedule. The pandemic may affect the Group's operations; however, the actual impact will depend on the subsequent situation of the pandemic.

B. On March 10, 2020, the Board of Directors of the Group approved to acquire all ownership of Boardtek Electronics Corporation through share exchange in order to not only strengthen Zhen Ding's technique in the field of automotive and high-frequency but also take the complementary advantage of bilateral technology development and product scope. This will deepen the Group's cooperation with the worldwide automotive and communication manufacturers, promote the performance of sales and profit, enhance shareholders' equity, and bring positive benefits to bilateral customers, employees and shareholders. The effective date for the above share exchange is set temporarily on November 11, 2020.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares when convertible bonds are converted, or issue new shares for consideration to achieve optimal capital structure.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets		
Financial assets at amortised cost	\$ 71,465,606	\$ 75,133,566
Financial assets at fair value through profit or loss	-	3,437
Financial assets at fair value through other comprehensive income	<u>193,804</u>	<u>52,473</u>
	<u><u>\$ 71,659,410</u></u>	<u><u>\$ 75,189,476</u></u>
Financial liabilities		
Financial liabilities at amortised cost	\$ 45,710,492	\$ 58,615,242
Lease liabilities	<u>239,407</u>	<u>-</u>
	<u><u>\$ 45,949,899</u></u>	<u><u>\$ 58,615,242</u></u>

Note : Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including due from related parties), other receivables and other current assets; financial liabilities at amortised cost including short-term borrowings, accounts payable (including to related parties), other payables, long-term liabilities current portion, long-term borrowings, bond payable and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated through internal controls or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system:

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as

written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2019			For the year ended December 31, 2019	
		Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Effect on Degree of comprehensive variation income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	331,789	29.98	\$ 9,947,034	1%	\$ 99,470	
USD:RMB	1,262,335	6.9762	37,911,126	1%	379,111	
<u>Net effect in consolidated entities with foreign currency</u>						
USD:NTD	2,536,935	29.98	76,057,311	1%	760,573	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	220,978	29.98	6,624,920	1%	66,249	
USD:RMB	823,355	6.9762	24,727,442	1%	247,274	
JPY:RMB	4,440,833	0.0641	1,225,181	1%	12,252	
		December 31, 2018			For the year ended December 31, 2018	
		Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Effect on Degree of comprehensive variation income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	248,050	30.72	\$ 7,620,096	1%	\$ 76,201	
USD:RMB	1,460,211	6.8632	44,825,149	1%	448,251	
<u>Net effect in consolidated entities with foreign currency</u>						
USD:NTD	2,205,165	30.72	67,742,669	1%	677,427	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	182,577	30.72	5,608,765	1%	56,088	
USD:RMB	950,743	6.8632	29,185,642	1%	291,856	
JPY:RMB	2,383,504	0.0619	659,774	1%	6,598	

v. Please refer to Note 6(26) for the total exchange gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018.

Interest rate risk for cash flow and fair value

The Group's interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$46,692 and \$46,000 for the years ended December 31, 2019 and 2018, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payments are more than 90 days past due.

- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

Financial assets at amortised cost

The Group's investments in debt instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including due from related parties)

- (i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:
 1. Assess the ECLs on an individual basis if a significant default has occurred to certain customers.
 2. Classify the other customers' accounts receivables based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.
 3. Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.

4. As of December 31, 2019 and 2018, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>As of December 31, 2019</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	\$ -	\$ 16,319,559	\$ 6,642,699	\$ 662,031	\$ 3,544,373	\$ 27,168,662
Loss allowance	\$ -	(\$ 4,896)	(\$ 4,650)	(\$ 3,310)	(\$ 68,156)	(\$ 81,012)
	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>As of December 31, 2018</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	\$ -	\$ 17,427,762	\$ 3,766,937	\$ -	\$ 3,143,584	\$ 24,338,283
Loss allowance	\$ -	(\$ 5,228)	(\$ 2,637)	\$ -	(\$ 54,039)	(\$ 61,904)

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) are as follows:

	For the years ended December 31,	
	2019	2018
Opening balance	61,904	49,182
Provision for impairment	20,943	11,873
Net exchange differences	(1,835)	849
Ending balance	\$ 81,012	\$ 61,904

Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote.

Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

i. Cash flow forecasting is performed by each Group entity and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Expiring within one year	\$ 34,800,762	\$ 35,316,650
Expiring over one year	11,343,144	5,233,200
	<u>\$ 46,143,906</u>	<u>\$ 40,549,850</u>

iii. The following table analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2019	Within one year	Over one year	Total
Long-term borrowings	\$ -	\$ 8,994,000	\$ 8,994,000
Guarantee deposits received	-	179,511	179,511
Lease liabilities	<u>95,128</u>	<u>156,246</u>	<u>251,374</u>
	<u>\$ 95,128</u>	<u>\$ 9,329,757</u>	<u>\$ 9,424,885</u>

Non-derivative financial liabilities:

December 31, 2018	Within one year	Over one year	Total
Bonds payable	\$ 8,794,901	\$ -	\$ 8,794,901
Long-term borrowings	-	9,216,000	9,216,000
Guarantee deposits received	-	110,990	110,990
	<u>\$ 8,794,901</u>	<u>\$ 9,326,990</u>	<u>\$ 18,121,891</u>

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount will be

significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Information on fair value

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

Level1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Financial instruments not measured at fair value

(a) Except those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost—the deposits with maturity of over three months, financial assets at amortised cost—guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, short-term borrowings, accounts payable (including to related parties), other payables, lease liabilities, and long-term borrowings:

December 31, 2019				
	Fair value			
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	\$ 179,511	\$ -	\$ 179,135	\$ -

December 31, 2018				
Carrying amount	Fair value			
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at amortised cost - corporate bond	\$ 277,516	\$ 271,806	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,699,319	\$ -	\$ 8,752,891	\$ -
Guarantee deposits received	110,990	-	110,757	-
Total	\$ 8,810,309	\$ -	\$ 8,863,648	\$ -

(b) The methods and assumptions of fair value measurement are as follows:

- i. Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.
- ii. Bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- iii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.

C. Financial instruments measured at fair value

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

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 193,804	\$ 193,804
<u>Non-recurring fair value measurements</u>				
Non-current assets classified as held for sale	\$ -	\$ -	\$ 161,211	\$ 161,211

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss	\$ _____ -	\$ 3,437	\$ _____ -	\$ 3,437
Financial assets at fair value through other comprehensive income	\$ _____ -	\$ _____ -	\$ 52,473	\$ 52,473

(b) The methods and assumptions that the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the

Group's credit quality.

D. The movements on Level 3 for the years ended December 31, 2019 and 2018 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Opening balance	\$ 52,473	\$ 120,992
Acquisition of financial assets at fair value through other comprehensive income	136,192	-
Unrealised gains (losses) from financial assets at fair value through other comprehensive income	11,474	(68,671)
Net exchange differences	(6,335)	152
Ending balance	<u>\$ 193,804</u>	<u>\$ 52,473</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value as of December 31, 2019	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:						
Unlisted shares	\$ 75,783	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	9.40~33.88 [10.01] 1.19~8.41 [1.83]	The higher the EBIT, the higher the fair value The higher the net value, the higher the fair value	
Unlisted shares	\$ 118,021	Market comparable companies	Enterprise value to EBIT multiple	38.63~66.14 [50.30]	The higher the EBIT, the higher the fair value	
Non-current assets classified as held for sale:						
Right-of-use assets	\$ 10,302	Market approach/ Replaced cost approach	Not applicable	Not applicable	Not applicable	Not applicable
		Fair value as of December 31, 2018	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:						
Unlisted shares	\$ 52,473	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	8.69~14.68 [10.29] [1.53]	The higher the EBIT, the higher the fair value The higher the net value, the higher the fair value	

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

	For the year ended December 31, 2019			
	Recognised in other comprehensive income			
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	\$ 193,804	±1%	\$ 1,938	(\$ 1,938)
For the year ended December 31, 2018				
Recognised in other comprehensive income				
Input	Change	Favourable change	Unfavourable change	
Financial assets				
Equity instrument	\$ 52,473	±1%	\$ 525	(\$ 525)

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated amount exceeding NT \$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments: Please refer to Note 6(2).
- J. The business relationship and significant transactions between the inter-companies: Please refer to table 6.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions

with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

14. SEGMENT INFORMATION

(4) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

(5) Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	For the years ended December 31,	
	2019	2018
Revenue from external customers	\$ 120,043,667	\$ 117,880,277
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 120,043,667</u>	<u>\$ 117,880,277</u>
Measure of segment profit	<u>\$ 13,828,045</u>	<u>\$ 13,636,827</u>

(6) Reconciliation of reportable segment's revenue and measure of profit and loss

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

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the period is as follows:

	For the years ended December 31,	
	2019	2018
Reportable segment's revenue	\$ 120,043,667	\$ 117,880,277
Other operating segments' revenue	<u>23,841</u>	<u>32,604</u>
Total segment revenue (i.e., the consolidated revenue)	<u>\$ 120,067,508</u>	<u>\$ 117,912,881</u>
	For the years ended December 31,	
	2019	2018
Reportable segment's profit	\$ 13,828,045	\$ 13,636,827
Other operating segments' profit	(678)	4,049
Total segment profit	13,827,367	13,640,876
Interest income and finance costs	558,219	134,439
Net foreign exchange gains (losses)	20,191	(394,411)
Net gains on financial assets at fair value through profit or loss	9,697	15,139
Others	(2,013,857)	(1,859,548)
Profit (losses)	<u>\$ 12,401,617</u>	<u>\$ 11,536,495</u>

(7) Information on products and services

Revenues from external customers are primarily from the manufacturing of PCB products as follows:

	For the years ended December 31,	
	2019	2018
Revenues from the manufacturing PCB products	<u>\$ 120,067,508</u>	<u>\$ 117,912,881</u>

(8) Geographical information

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

	For the years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	\$ 78,179,028	\$ -	\$ 81,805,602	\$ -
Mainland China	28,111,801	54,580,460	23,946,317	49,821,664
Taiwan	6,994,641	326,731	5,637,193	222,601
Singapore	1,932,194	-	1,040,406	-
Others	4,849,844	168,586	5,483,363	91,721
Total	<u>\$ 120,067,508</u>	<u>\$ 55,075,777</u>	<u>\$ 117,912,881</u>	<u>\$ 50,135,986</u>

The Group's geographical revenue based on the countries where customers are located. Non-current assets are property, plant, equipment, right-of-use assets, intangible assets and other non-current assets.

(9) Major customer information

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

For the years ended December 31,			
	2019		2018
	Revenue	Segment	Revenue
Company B	\$ 77,134,598	Manufacturing of PCB products	\$ 81,779,622
Company A	<u>7,369,127</u>	Manufacturing of PCB products	<u>6,494,871</u>
	<u><u>\$ 84,503,725</u></u>		<u><u>\$ 88,274,493</u></u>

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Lender	Borrower			Maximum outstanding balance during the year ended		Balance at		Amount of transactions with the borrower		Allowance for short-term doubtful accounts		Limit on loans granted to a single party		Limit on total lender's loans granted		
			General ledger account	Related party	December 31, 2019	(Note 3)	December 31, 2019	(Note 4)	Actual amount drawn down	Interest rate	Nature of loan	for short-term financing	Reason for doubtful accounts	Collateral Item	Value	(Notes 1&2)	(Notes 1&2)	Footnote
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	\$ 599,600	\$ 599,600	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 26,863,881	\$ 26,863,881	
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	299,800	299,800	-	-	Short-term financing	-	Operation requirements	-	None	-	26,863,881	26,863,881	
1	FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	719,520	719,520	-	-	Short-term financing	-	Operation requirements	-	None	-	3,719,648	5,207,508	
1	FAT Holdings Limited	Henley International Limited	Other receivables	Yes	599,600	599,600	-	-	Short-term financing	-	Operation requirements	-	None	-	3,719,648	5,207,508	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	4,916,720	4,916,720	1,169,220	3.30%	Short-term financing	Operation requirements	-	None	-	302,169,779	423,037,691		
2	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,199,200	1,199,200	599,600	3.1% ~ 3.3%	Short-term financing	-	Operation requirements	-	None	-	302,169,779	423,037,691	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	2,698,200	2,698,200	2,548,300	3.30%	Short-term financing	-	Operation requirements	-	None	-	46,615,904	65,262,265	
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,199,200	1,199,200	-	-	Short-term financing	-	Operation requirements	-	None	-	366,692,496	513,369,494	

No.	Lender	Borrower	General ledger account		Maximum outstanding balance during the year ended		Balance at December 31,		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Limit on loans granted to a single party		Limit on total lender's loans granted	
					2019	2019	2019	2019							Item	Value	(Notes 1&2)	(Notes 1&2)
					(Note 3)	(Note 4)												Footnote
5	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Other receivables	Yes	\$ 1,499,000	\$ 1,499,000	\$ -	-	Short-term financing	2.90%~4.35%	Short-term financing	- -	Operation requirements	- -	None	\$ 15,397,349	\$ 21,556,288	
5	Garuda International Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	1,499,000	1,499,000	-	-										
5	Garuda International Limited	AVARY SINGAPORE PRIVATE LIMITED	Other receivables	Yes	449,700	449,700	299,860	2.90%										
6	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	3,444,000	3,444,000	-	-										
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	17,220,000	17,220,000	4,455,675	4.15%~4.35%										
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Other receivables	Yes	5,166,000	5,166,000	3,377,273	4.15%~4.35%										
6	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	861,000	861,000	228,165	4.35%										
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Other receivables	Yes	10,762,500	10,762,500	2,096,535	4.15%~4.35%										

No.	Lender	Borrower	Maximum outstanding balance during the year ended			Balance at December 31, 2019 (Note 3)	Balance at December 31, 2019 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Limit on loans granted to a single party		Limit on total lender's loans granted		
			General ledger account	Related party									Item	Value	(Notes 1&2)	(Notes 1&2)	Footnote
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huai'an) Co., Ltd.	Other receivables	Yes	\$ 2,152,500	\$ 2,152,500	\$ 684,495	4.15%~ 4.35%	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 34,120,419	\$ 34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	344,400	344,400	-	-	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company's net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company's net asset; but limit on loans to a single party is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company's net assets.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name (Note 2)	Relationship with the endorser/ guarantor provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee		Outstanding endorsement/ guarantee		Amount of endorsements / guarantees drawn down secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided by parent company		Provision of endorsements/ guarantees by subsidiary to parent company (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)
				Relationship with the endorser/ guarantor provided for a single party (Note 3)	Limit on endorsements/ guarantee amount for the year ended December 31, 2019 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 6)	Actual amount / guarantees drawn down (Note 7)			Ceiling on total amount of endorsements/ guarantees provided by parent company	Provision of endorsements/ guarantees by subsidiary to parent company (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	
				Number (Note 1)	Endorser/ guarantor	Company name (Note 2)	Relationship with the endorser/ guarantor provided for a single party (Note 3)	Limit on endorsements/ guarantee amount for the year ended December 31, 2019 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 6)	Actual amount / guarantees drawn down (Note 7)	Ceiling on total amount of endorsements/ guarantees provided by parent company	Provision of endorsements/ guarantees by subsidiary to parent company (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)
0	Zhen Ding Technology Holding Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	2	\$ 6,715,970	\$ 599,600	\$ 599,600	\$ -	\$ -	0.89%	\$ 67,159,702	Y	N	Y	Footnote

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 10% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provided to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (EXCLUDING THE INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2019				Footnote (Note 4)
				Number of shares (Note 3)	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,200,000	\$ 75,783	9.02%	\$ 75,783	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,600,000	118,021	4.26%	118,021	

Note 1: In accordance with IAS 39, 'Financial instruments: recognition and measurement', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

**PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT \$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction						Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	
			Purchases		Percentage of total purchases		Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote	
			(sales)	Amount	(sales)								
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 43,236,869	73	60 days from the shipping date	Note 2	Note 2	\$ 9,849,714	60			
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	12,856,172	22	60 days from the shipping date	Note 2	Note 2	5,237,788	32			
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,126,063	45	60 days from the shipping date	Note 2	Note 2	44,445	40			
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	1,184,211	47	60 days from the shipping date	Note 2	Note 2	53,177	48			
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	108,312	4	60 days from the shipping date	Note 2	Note 2	314	-			
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	34,378,822	90	60 days from invoice date	Note 2	Note 2	10,190,386	94			
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,734,198	10	90 days from invoice date	Note 2	Note 2	500,483	5			

Purchaser/seller	Counterparty	Relationship	Transaction						Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	
			Purchases			Percentage of total purchases			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			(sales)	Amount	(sales)	1	Credit term						
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	\$ 249,737		1	60 days from invoice date	Note 2	Note 2	\$ 165,088		2	
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	3,386,791	73		60 days from the shipping date	Note 2	Note 2		543,329		61
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	482,089	10		60 days from the shipping date	Note 2	Note 2		57,050		6
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	338,556	7		30 days from the shipping date	Note 2	Note 2		78,238		9
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	462,218	10		30 days from the shipping date	Note 2	Note 2		216,584		24
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	33,317,362	93		60 days from invoice date	Note 2	Note 2		6,109,670		87
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,839,825	5		60 days from the shipping date	Note 2	Note 2		573,454		8
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	232,445	1		90 days from the shipping date	Note 2	Note 2		90,617		1
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	194,043	1		30 days from invoice date	Note 2	Note 2		110,704		2

Purchaser/seller	Counterparty	Relationship	Transaction						Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	
			Purchases			Percentage of total purchases			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			(sales)	Amount	(sales)		Credit term						
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	Sales	\$ 966,308	66		60 days from the received date	Note 2	Note 2	\$ 244,144		53	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	1,256,756	100		60 days from the received date	Note 2	Note 2	239,413		100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	975,313	100	90 days from the first day of next month of shipping		Note 2	Note 2	257,991		100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	15,412,236	13	90 days from the first day of next month of shipping		Note 2	Note 2	4,745,705		17	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	865,529	1	90 days from the first day of next month of shipping		Note 2	Note 2	351,663		1	
Garuda International Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	584,994	-	90 days from the first day of next month of shipping		Note 2	Note 2	5,863		-	
Garuda International Limited	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	9,155,950	8	90 days from the first day of next month of shipping		Note 2	Note 2	4,586,501		16	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	7,308,738	6	90 days from the first day of next month of shipping		Note 2	Note 2	2,424,378		9	
Garuda International Limited	Interface Technology (Chengdu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	405,844	-	60 days from the first day of next month of shipping		Note 2	Note 2	129,915		-	

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		
			Purchases		Percentage of total purchases		Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			(sales)	Amount	(sales)							
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for under the equity method of Hon Hai	Sales	\$ 436,091	-	60 days from the first day of next month of receipt	Note 2	Note 2	\$ 118,043	-		

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES REACHING NT \$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

DECEMBER 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Amount	Action taken					
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 9,849,714	3	\$ -	-	\$ 2,803,214	\$ -	-
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	5,237,788	3	-	-	248	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	10,190,386	4	-	-	3,234,395	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	500,483	6	-	-	288,006	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	165,088	3	-	-	152,716	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	543,329	9	-	-	406,754	-	-
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	216,584	4	-	-	245,502	-	-
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	6,109,670	4	-	-	716,099	-	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			\$	573,454		\$	Amount		
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary			6		-	\$ 82,201	\$ -
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	110,704	4		-	-	67,803	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	244,144	5		13,855	Subsequent collection	194,640	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	239,413	5		263,482	Subsequent collection	234,718	-
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	257,991	5		-	-	257,984	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	4,745,705	3		8,423	Subsequent collection	-	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	351,663	3		-	-	-	-
Garuda International Limited	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	An indirect wholly-owned subsidiary	4,586,501	2		229,835	Subsequent collection	1,029,761	-
Garuda International Limited	Interface Technology (Chengdu) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	129,915	9		877	Subsequent collection	-	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	2,424,378	3		7,634	Subsequent collection	578,067	-
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for under the equity method of Hon Hai	118,043	4		-	-	34,127	-

As to receivables from loans to related parties exceeding NT \$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	The Company	2	Other receivables	\$ 1,169,220	Note 5	1
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	599,600	"	-
2	Pacific Fair International Limited	The Company	2	Other receivables	2,548,300	"	2
3	Garuda International Limited	Avary Singapore Private Limited	3	Other receivables	299,860	"	-
4	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	228,165	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	4,455,675	"	3
4	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	3	Other receivables	3,377,273	"	2
4	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	3	Other receivables	2,096,535	"	1
4	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huai'an) Co., Ltd.	3	Other receivables	684,495	"	-
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	43,236,869	Note 8	36
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	9,849,714	"	7
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	12,856,172	"	11
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	5,237,788	"	4
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	3	Sales	1,126,063	"	1
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	3	Sales	1,184,211	"	1
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	108,312	"	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms		
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	\$ 34,378,822	"		29
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	10,190,386	"		7
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,734,198	Note 11		3
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	500,483	"		-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	249,737	Note 9		-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	165,088	"		-
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Garuda International Limited	3	Sales	3,386,791	Note 8		3
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Garuda International Limited	3	Accounts receivable	543,329	"		-
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	482,089	Note 8		-
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	338,556	Note 9		-
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	3	Sales	462,218	Note 9		-
7	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	3	Accounts receivable	216,584	"		-
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	3	Sales	33,317,362	Note 8		28
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	3	Accounts receivable	6,109,670	"		4
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	3	Sales	232,445	Note 7		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms		
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	\$ 194,043	Note 9		-
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	110,704	"		-
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,839,825	Note 8		2
8	Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	573,454	"		-
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	966,308	Note 10		1
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	244,144	"		-
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,256,756	"		1
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	239,413	"		-
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	975,313	Note 6		1
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	257,991	"		-
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	15,412,236	"		13
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	4,745,705	"		3
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	865,529	"		1
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	351,663	"		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
12	Garuda International Limited	Garuda Technology Co., Ltd.	3	Sales	\$ 584,994	"	-
12	Garuda International Limited	Qing Ding Precision Electronics (Huainan) Co., Ltd.	3	Sales	9,155,950	"	8
12	Garuda International Limited	Qing Ding Precision Electronics (Huainan) Co., Ltd.	3	Accounts receivable	4,586,501	"	3

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

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

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

Note 3: Only the related party transactions exceeding the amount of NT \$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

Note 11: The prices and terms to related parties were similar to third parties. Credit term is 90 days from invoice date.

Note 12: The prices and terms to related parties were similar to third parties. Credit term is advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON INVESTEES (EXCLUDING THE INVESTEES IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 25,670,375	\$ 24,051,455	856,250,000	100	\$ 73,010,704	\$ 9,325,975	\$ 9,325,975	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	3,046,595 (	170,586) (	170,586)	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,081,518	3,081,518	102,785,806	100	60,487,538	8,717,836	8,716,850	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,199,530	8,199,530	2,133,300,000	100	9,323,181	950,276	950,276	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	17,978	4,124	4,124	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	35,829,336	35,829,336	9,321,841,932	100	60,433,956	8,717,902	8,717,902	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	150	150	5,000	100	744,921	17,308	17,308	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	299,800	299,800	78,000,000	73	1,869,245	1,000,570	1,048,128	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	3	-	100	73 (	9,709) (	18,742) (	13,648)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	25,000	25,000	2,500,000	73 (	133,852)	80,388	58,539	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading	5,516	-	400	73	1,913 (	2,979) (	2,169)	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	304,898	-	71,620,000	73	210,985 (	15,415) (	11,225)	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/				Ownership held directly or indirectly by the Company for the year ended December 31, 2019	Investment income recognised by the Company for the year ended December 31, 2019	Carrying amount of investments as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net profit (loss) of investee for the year ended December 31, 2019					
				Remitted to Mainland China	Remitted back to Taiwan	31, 2019	2019					
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacture and sales of PCB	\$ 4,363,994	2	\$ -	\$ -	\$ -	\$ (1,539,822)	73	\$ (1,121,306)	\$ 71,727	\$ -	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	8,985,532	2	-	-	-	-	73	4,014,775	14,625,595	-	
Hong Heng Sheng Electronical Technology (Huai'an) Co., Ltd.	Manufacture and sales of PCB	3,988,535	2	-	-	-	-	73	(34,026)	24,778	583,011	-
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	9,950,728	2	-	-	-	-	73	9,957,180	62,116,650	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	473,852	2	-	-	-	-	73	19,833	444,738	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/		Accumulated amount of remittance from Taiwan for the year ended December 31, 2019	Net profit (loss) from Taiwan to Mainland China for the year ended December 31, 2019	Ownership held directly or indirectly by the Company	Investment income recognised by the Company for the year ended December 31, 2019	Carrying amount of investments as of December 31, 2019	Accumulated amount of investment remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Yu Ding Precision Electronics (Huai'an) Co., Ltd.	Manufacture and sales of PCB	\$ 1,037,249	2	\$ -	\$ -	\$ -	\$ -	(\$ 2,313)	73	(\$ 1,685)	\$ 674,866	\$ -	
Qing Ding Precision Electronics (Huai'an) Co., Ltd.	Manufacture and sales of PCB	6,675,026	2	\$ -	\$ -	\$ -	\$ -		73	1,369,368	8,084,739		
Qi Ding Technology Qinhuaigao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	2,053,601	2	\$ -	\$ -	\$ -	\$ -	(\$ 362,475)	100	(\$ 362,475)	1,636,067		
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	86,100	2	\$ -	\$ -	\$ -	\$ -		73	7,558	82,399		
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	21,525	2	\$ -	\$ -	\$ -	\$ -		73	1,036	16,404		
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	702,524	2	\$ -	\$ -	\$ -	\$ -	(\$ 3,272)	100	(\$ 3,272)	699,374		

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to PRC are as follows:

(1) The Group remits its own funds directly to the investee companies located in PRC

(2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.

(3) Others

Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31, 2019 were based on the audited financial statements of the investees in Mainland China for the same period.

Chapter 7 Review and Analysis of the Financial Conditions and Operating Performance and Risk Assessment

I. Financial Conditions

Unit: NT\$ thousands; %

Item	Year	2018	2019	Difference	
				Amount	%
Current assets		88,894,203	83,203,716	-5,690,487	-6.40%
Property, plant and equipment		41,913,166	46,242,613	4,329,447	10.33%
Intangible assets		91,721	360,370	174,755	94.15%
Other non-current assets		9,208,063	437,144	-7,600,061	-94.56%
Total assets		140,107,153	139,881,335	-225,818	-0.16%
Current liabilities		51,835,059	39,032,879	-12,802,180	-24.70%
Non-current liabilities		10,163,514	10,504,355	340,841	3.35%
Total liabilities		61,998,573	49,537,234	-12,461,339	-20.10%
Capital		8,047,484	9,022,299	974,815	12.11%
Capital reserve		22,000,657	29,534,781	7,534,124	34.24%
Retained earnings		28,955,372	33,617,319	4,661,947	16.10%
Other equity interest		-2,948,306	-5,014,697	-2,066,391	70.09%
Total equity		78,108,580	90,344,101	12,235,521	15.66%

Explanation of material changes: (changes in the amount of more than 10% and more than 1% of the total assets of the current year)

- (1) Property, plant, and equipment: Mainly attributed to the purchase of new equipment in response to demand for production capacity.
- (2) Other non-current assets: Mainly attributed to the reclassification of rent payment for 2019 to right-of-use asset.
- (3) Current liabilities: Mainly attributed to the conversion and settlement of convertible bonds upon expiration and settlement of accounts payable due.
- (4) Total liabilities: Same as explanation for (3) Current liabilities.
- (5) Capital reserve: Mainly attributed to the conversion of convertible bonds to new shares.
- (6) Retained earnings: Mainly attributed to profits in the current period appropriated to retained earnings.
- (7) Other equity: Caused mainly by increased exchange differences in financial statements of overseas operations.
- (8) Total equity: Same as explanations for (5) Capital reserve, (6) Retained earnings, and (7) Other equity.

Source: CPA-audited consolidated financial report for 2018 to 2019.

II. Financial Performance

Unit: in NT\$ thousands; %

Item	Year	2018	2019	Variation	
				Amount	Proportion of change (%)
Operating revenue		117,912,881	120,067,508	2,154,627	1.83%
Operating costs		-91,851,933	-92,845,499	-993,566	1.08%
Gross profit		26,060,948	27,222,009	1,161,061	4.46%
Operating expenses		-11,215,330	-12,421,201	-1,205,871	10.75%
Operating profit (loss)		14,845,618	14,800,808	-44,810	-0.30%
Non-operating income and expenses		-179,056	150,100	329,156	-183.83%
Profit before tax		14,666,562	14,950,908	284,346	1.94%
Net profit of this period		11,536,495	12,401,617	865,122	7.50%
Comprehensive income or loss (net value after tax) in this period		-1,485,700	-3,312,504	-1,826,804	122.96%
Total combined income for this period		10,050,795	9,089,113	-961,682	-9.57%
Explanation of material changes: (changes in the amount of more than 10% and more than 1% of the total assets of the current year)					
(1) Comprehensive income or loss (net value after tax) in this period: Caused mainly by increased exchange differences in financial statements of overseas operations.					

Source: CPA-audited consolidated financial report for 2018 to 2019.

III. Cash Flow

(I) Analysis of cash flow changes over the most recent fiscal year

Unit: NT\$ thousands; %

Item	Year	2018	2019	Increase (decrease) amount	Percentage of change (%)
					(%)
Operating activities		26,900,321	26,900,321	16,273,464	-10,626,857
Investing activities		-9,526,856	-9,526,856	-11,137,596	-1,610,740
Financing activities		5,386,879	5,386,879	-5,415,670	-10,802,549
Analysis of changes:					
1. Decrease in net cash from operating activities: Mainly attributed to account receivables during peak season that are not yet due, and to the recovery of higher amount of receivables and inventory for previous year.					
2. Increase in net cash outflow from investing activities: Mainly attributed to purchasing of machines and equipment to meet production demands.					
3. Increase in net cash inflow from financing activities: Mainly attributed to cash capital increase by subsidiary Avary Holding in the previous year, which increased change in non-controlling interest, and attributed to increase in short-term borrowings for business purpose and increase in cash dividend.					

Source: CPA-audited consolidated financial report for 2018 to 2019.

(II) Cash liquidity analysis for the following year:

Unit: NT\$ thousands

Cash balance at beginning of the period	Estimated net cash flow from operating activities in the entire year	Estimated net cash flow from financing and investing activities in the entire year	Cash surplus (inadequacy) amount	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
38,391,980	26,073,574	-27,363,363	37,102,191	—	—

IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year: None

V. Investment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Profitability, and Investment Plans for the Coming Year

(I) The Company's investment policy

The Company currently focuses on investments in related PCB industries and does not engage in investment in other businesses. The Company's related departments execute investments based on the "investment cycle" in the internal control system and the "Procedures for the Acquisition or Disposal of Assets". Long-term investment strategies are focused on bolstering the core competitiveness of our main business activities, strengthening technological capability and meeting customers' overall requirements.

(II) Main reasons for gains or losses in the investments in other businesses in the most recent year:

Investments in other businesses	Profit or loss in the most recent period	Explanation
Monterey Park	9,325,975	Mainly attributed to recognition of profit or loss from investment in investees.
Zhen Ding Technology Co., Ltd.	-170,586	Mainly attributed to operating expenses derived from purchase orders in trading.
Coppertone	8,716,850	Mainly attributed to recognition of profit or loss from investment in investees.
Mayco	8,717,902	Mainly attributed to recognition of profit or loss from investment in investees.
Pacific Fair	950,276	Mainly attributed to recognition of profit or loss from investment in investees.
FAT Holdings	17,308	Mainly attributed to profits from interest income.
Henley	4,124	Mainly attributed to profits derived from purchase orders in trading.
Garuda	1,048,128	Mainly attributed to profits derived from purchase orders in trading.
Avary Singapore	-13,648	Mainly attributed to routine management expenditures.
Avary Japan	-2,169	Mainly attributed to routine management expenditures.
Avary Technology	- 11,225	Mainly attributed to routine management expenditures.
Garuda Technology Taiwan	58,539	Mainly attributed to profits derived from purchase orders in trading.

Investments in other businesses	Profit or loss in the most recent period	Explanation
Avary Holding (Shenzhen)	9,957,180	Mainly attributed to growth in revenue.
Fu Bo Industrial (Shenzhen)	19,833	Mainly attributed to profits from leases.
Hong Qun Sheng Precision Electronics (Yingkou)	-1,121,306	Mainly attributed to recognition of impairment of assets due to sale and termination of business.
Hong Qi Sheng Precision Electronics (Qinhuangdao)	4,014,775	Mainly attributed to growth in revenue.
Hong Heng Sheng Precision Electronics Technology (Huai'an)	-24,778	Mainly attributed to adjustment of product structure.
Yu Ding Precision Electronics (Huai'an)	- 1,685	Mainly attributed to routine management expenditures.
Qing Ding Precision Electronics (Huai'an)	1,369,368	Mainly attributed to growth in revenue.
Qi Ding Technology (Qinhuangdao)	- 362,475	Mainly attributed to adjustment of product structure.
Kuisheng Technology (Shenzhen)	7,558	Mainly attributed to growth in revenue.
Yunding Technology (Shenzhen)	1,036	Mainly attributed to growth in revenue.
Jiawei Industry (Huai'An)	-3,272	Mainly attributed to routine management expenditures.

Note: Completed the liquidation of Pacific Stand Enterprises Limited on 2019.04.23.

(III) Investment plans for the next year:

The Company shall investment plans for the next year shall consist of investment in subsidiaries in China or other regions. They shall be processed based on customers' orders and demands in accordance with related investment evaluation and decision-making procedures.

VI. Risk Management, Analysis, and Assessment of the Most Recent Year as of the Publication Date of This Report

Our Board of Directors plays a key role in helping the Company to identify and manage economic risks. Our Risk Management Organization periodically briefs our Audit Committee on the ever-changing risk environment facing the company, the focus of our risk management, and risk assessment and response measures. Our Audit Committee's Chairperson also briefs the Board on the risk environment and the risk control measures taken.

The Company and its subsidiaries are committed to proactively and cost effectively integrating and managing strategic, operational, financial and hazardous risks together with potential consequences to operations and revenue. The Company operates a corporate risk management system based on both its corporate vision and its long-term sustainability, and responsibility to both industry and society. The system seeks to provide the appropriate management of risks by the Company on behalf of all stakeholders, assess the frequency and impact severity of risk events, define risk control priority and risk level, and adopt risk management strategies in response to the identified risks.

(I) Scope of risk management

1. Strategy Aspects

- Regulatory compliance and response to changes
- National policy development
- Changes in technology and industry markets
- Technology R&D and competitive advantages
- Market demand and production expansion

2. Financial Aspects

- Interest rate, exchange rate, inflation, deflation, tax, merger and acquisition
- Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions
- Strategic investment

3. Operational Aspects

- Customers, centralized procurement
- Information security
- Intellectual property rights
- Recruitment
- Corporate image

4. Hazardous Event Aspects

- Earthquake, fire, and other natural disasters
- Climate change
- Water and electricity supply

(II) Risk Management Framework

Risk Identification and Risk Assessment

- Risk Management Steering Committee reports to the Board of Directors on the execution of risk strategies and prioritization of risk control
- Risk Management Executive Council assesses the frequency and operational impact of risk events



Risk Control

- Conduct cross-organizational risk communication and adopt cost-effective risk control plans
- Risk Management Executive Council is responsible for carrying out risk control plans
- Implementation of risk control is incorporated in internal control self-assessment for annual review



Risk Response

- Crisis management and crisis contingency plan
- Simulation and rehearsal of response to major crisis events



Risk Response

- Crisis management and crisis contingency plan
- Simulation and rehearsal of response to major crisis events



Risk Monitoring and Risk Reporting

- Implementation effectiveness of risk control plans is summarized by Risk Management Project Group and annually reported to the Board of Directors

To reduce impact on company operations when a risk event occurs, corporate risk management involves conducting ex-ante risk assessment on major crisis events to identify feasible strategies for crisis event prevention and develop crisis handling procedures and recovery plans for such events. With respect to specific major crisis events in various plants, the Board Chairman takes charge of the Cross-Organizational Crisis Commanding Center and is responsible for command and internal coordination operations to shorten the company's response time to crisis events and actively communicate with involved stakeholders.

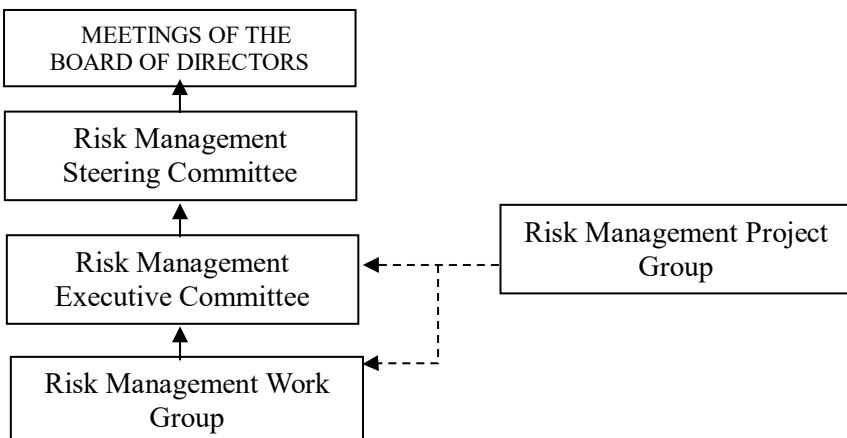
To enhance the company's internal crisis management awareness and reinforce a risk management culture, the Company has established a Risk Management Work Group to continuously improve and reduce corporate risks by facilitating the risk assessment and crisis response drills of major crisis events, such as fire, earthquake, IT system service disruption, information security, supply chain disruption, and water and power outage.

To reduce the risk of disrupted supply chains, a work group composed of supply chain units works with suppliers to enhance supply chain resilience capability. Because supply chain risks were properly managed, the Company did not experience supply chain disruption in 2019. In addition, we incorporated information communication security check as one of the items to be audited in the annual audit plan.

(III) Risk Management Organization Chart

Every year, the Risk Management Steering Committee in our Risk Management Organization periodically briefs our Board of Directors on the risk environment facing the company, the focus of our risk management, and risk assessment and response measures.

Description of Organization:



1. Risk Management Steering Committee
 - Consists of functional heads;
 - Reports to the Board of Directors;
 - Reviews risk control progress; and
 - Identifies and approves prioritization of risk controls.
2. Risk Management Executive Committee
 - Consists of representatives from each functions;
 - Determines and implements cost-effective risk controls; and
 - Improves risk management transparency and how risks are managed.
3. Risk Management Project Group
 - Supports Risk Management Work Group to enhance effective risk control;
 - Coordinates and facilitates Risk Management Executive Council on risk management activities; and
 - Consolidates Group risk management reports and presents them to the Risk Management Steering Committee.
4. Risk Management Work Group
 - Identifies potential risks and business impact;
 - Adopt actions according to risk scenario; and
 - Compiles crisis management procedures and conducts exercises.

(IV) Potential Risks Associated with Strategic Aspects, Operational Aspects, Financial Aspects, and Hazardous Events

1. The impacts of changes of important domestic and foreign policies and laws on the Company, and the response measures:

The Company is registered in the Cayman Islands and its main operations are in Mainland China, Hong Kong, British Virgin Islands (BVI), and Taiwan. Cayman Islands' economic activities consist mainly of financial services and Mainland China is now one of the largest economies in the world. The Company's business operations are carried out in accordance with important domestic and foreign policies, laws, and regulations. We also pay close attention to important domestic and foreign political development trends changes in laws to quickly respond to changes in the market environment and take appropriate response measures. In the most recent year and as of the publication date of this annual report, Cayman Islands and BVI have successively introduced new laws on economic substance since 2019, which require new and old companies on the island to provide true economic substance. Although the Cayman Islands enacted the Guidance of Economic Substance for Geographically Mobile Activities in April 2019, and BVI published the Rules on Economic Substance in the Virgin Islands on October 9, 2019, the Company Zhen Ding Holdings and FAT Holdings (registered in Cayman Islands), and Monterey Park and Coppertone Enterprises (registered in BVI) do not have activities of economic substance on Cayman Islands and BVI. Therefore, the Company's finances and businesses have not been affected by the economic substance rules. The Company's finances and businesses in Mainland China, Hong Kong, and Taiwan have also not been affected by major changes in policies and laws.

The Company's important customers and suppliers are mostly located in Asia. Due to special political conditions in certain Asian countries such as the divided Korea, special international political relations between Mainland China and Taiwan, and Hong Kong's status as a Special Administrative Region of China, the business operations of the Company's customers and the Company's own business

operations may be affected by the political, economic, and legal environment in countries in Asia. In the most recent year and as of the publication date of the Annual Report, the Company's finances and businesses have not been affected by major changes in policies and laws of domestic or foreign governments. Any change in government policies, taxation, economic conditions, or interest rate in any region or any political, diplomatic, or social incident that affects the Company's customer may affect the business operations of the Company.

2. The impact of technology changes and industry changes on the Company, and response measures:

As technical requirements for consumer electronics products continue to increase, the Company pays close attention to market trends and evaluates their impact on the Company's operations. The Company's important customers are mostly leading companies in global consumer electronics products and we maintain close partnerships. In the most recent year and as of the date of Annual Report, the Company's finances and businesses have not been negatively affected by changes in technologies or industries.

3. The expected benefits and potential risks of capacity expansion and response measures:

- (1) Expected benefits: Production began in expanded plants which have contributed to revenue.
- (2) Possible risks and response measures: We continue to strengthen and improve the Company's management efficiency, optimize product structure, and maintain competitiveness. We also carefully and rigorously evaluate market supply and demand and future orders to reduce risks and lower the impact of future uncertainties.

4. The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the response measures: In the most recent year and as of the printing date of the annual report, there was no impact on the Company as a result of change of any major shareholder with more than 10% ownership interest or of large transfer/exchange of equity.

5. Impact of change of management rights on the Company, associated risk and response measures: In the most recent year and as of the printing date of the annual report, there was not impact of change of management rights on the Company.

6. Results of litigation or non-litigation events with material impact on the interests of shareholders or stock price: The Company was not involved in litigation or non-litigation events that generated major impacts on shareholder equity or share value in the most recent year as of the publication date of this annual report.

7. Risks of fluctuations in materials prices

PCBs use copper foil, copper-clad laminates, and films as main materials. Despite the increase in metal price in the past year, we have maintained friendly long-term partnerships with suppliers and the prices of raw materials have remained stable. Materials are expected to remain at such levels and there should be no risks of price variation.

Response measures

The Company obtains stable sources of raw material supply and price negotiation powers by integrating the Company's resources. We also work hard to improve the production process and leverage our advantages for high quality and high

efficiency to reduce unnecessary production cost.

8. Market competition risks

Numerous of suppliers in the industry resulted in intense competition. During times of general economic decline or downturn, companies suffer decrease in profit margins which leads to vicious competition and price wars. The Company's main competitors in various products include TTM, Mektron, Unimicron, Tripod, Suzhou Dongshan Precision Manufacturing, Compeq, HannStar Board Corp, SEMCO, Kingboard Holdings, AT&S, Young Poon, and other major manufacturers. In addition to the aforementioned companies, the Company also faces competition from new competitors and competitors in emerging markets.

Response measures

The Company leverages our advantages in finance, manufacturing, technology, marketing personnel, and marketing resources to enter the consumer electronics market and we focus on a wide range of products, services as well as partnerships with long-standing customers. We seek to differentiate ourselves from competitors and prevent price competition to establish, design, and launch new products that meet or foresee customers' demand for next-generation products and applications.

9. Future Research and Development (R&D) Plans and the R&D expenses expected to be invested:

The Company continues to expand investment in R&D resources to provide customers with top innovative technologies in the industry and assist customers develop future products. We adopt a centralized competitive leadership strategy and established unique core technologies to lead trends and develop high-end next-generation products. We also expand basic research and collaboration with industrial, government, academic, and research institutions and integrate resources to continue to accumulate and strengthen R&D energy and improve the Company's long-term competitiveness.

Future development plans include:

12 strategies for future PCB and semiconductor development plans: Light (light-weight), thin (thin design), short (short procedures), small (small footprint), high (high frequency/high speed/high heat dissipation), low (low pollution/low cost/low power consumption), multiple (multi-functional and multi-layer), fast (fast development and production), precision (low tolerance), beauty (aesthetically appealing), refined (refined circuits), and smart (intelligence). The main applications include high-end technologies for smart phones, tablet computers, wearable devices, communications, Internet, automotive electronics, servers, base stations, and medical devices.

The Company's R&D expenditures in 2018 and 2019 amounted to NT\$5,637,557 thousand and NT\$6,139,768 thousand, which accounts for 5% and 5% of the revenue in 2018 and 2019, respectively, which was approximately NT\$6.3 billion in 2019.

10. The Impacts of interest rates, exchange rate fluctuation and inflation situation on the Company's profit and loss, and the future response measures:

(1) Impact of changes to interest rate on the Company's profit or loss and response measures:

The United States has been preparing for the possibility of a future economic recession due to its continued friction with China regarding trade issues. The Federal Reserve Board has cut interest rates in August 2019, the first time

since the financial crisis. As a result, the company's overall financing costs decreased. The trade war between US and China is expected to be on hold this year, as multiple foreign banks adopt a wait-and-see approach to the possibility of a second interest rate cut by the Federal Reserve Board.

Taiwan's economy is gradually recovering in 2019 as the US–China trade war continues. Influenced by the U.S. interest rate cuts and easing monetary policy, the market showed stable performance throughout the year as expected, and the stock market has remained above 10,000 points most of the time. As market forecasts on future economy remain cautiously optimistic, we expect the interest rate in Taiwan to remain low.

The US–China trade war problems persisted into 2019. To prepare for the possibility of economic downturn, the People's Bank of China reduced the deposit reserve interest rate twice in a year, made several changes to interest rate measures, changing standard loan interest rate to LPR, and continued to introduce economic reform schemes in an attempt to create a stable and loose economic environment in both monetary and financial policies. We predict that Mainland China has the opportunity to maintain a loose interest rate policy as growth in China's economy slows down and external uncertainties remain.

(a) Impact on the Company's profit/loss:

The Company's net interest income in 2019 amounted to NT\$558,219 thousand. The interest of main loans is calculated based on the USD floating interest rates. Therefore, the decrease in USD interest rate will decrease the Company's future funding cost. The United States has reduced its federal funds rate three times in 2019. We expect that the United States' opportunity to cut interest rates in 2020 should be limited, and the overall borrowing rate of the Company will remain flat and stable with interest rates, and should not have a significant impact on the Company's profit and loss.

(b) Future response measures:

The Company has raised mid/long-term loans to reduce the possibility of increased lending cost due to future interest hike. We plan to lock financing costs in advance, using lower mid/long-term financing costs to support future needs for mid/long-term operating capital. We continue to use our favorable operating performance to negotiate favorable interest rates from financial institutions to effectively reduce the overall funding cost.

(2) The effects of exchange rate and inflation on company profits or loss and response measures:

Economic development in countries around the world has improved as the world economy continued to grow in 2019. The USD index has fluctuated throughout the year, increasing gradually. As trade tension between US and China begins to ease, international institutions predict that the global economy in 2020 will grow again, and conservatively view the possibility of another interest rate cut by the U.S. Federal Reserve Board. International USD exchange rates may continue to fluctuate in small range in 2020.

The NTD exchange rate was mainly affected by the international monetary market and the exchange rate against USD in 2019 dropped first before rising again. Faced with uncertainties in the US–China trade negotiations and possibility of overseas Taiwanese businesses returning to Taiwan, the Central

Bank of Taiwan is expected to maintain stable financial and monetary policies and TWD exchange rate may continue a steady rate of depreciation. The probability of severe fluctuations in exchange rates remains low.

The RMB exchange rate fluctuated in 2019, particularly when the trade tension between US and China eased gradually during the middle of the year. The RMB depreciated significantly against the USD twice, even reaching the 7.17 threshold at one point. The political and economic impact on exchange rates exacerbated, and the exchange rate gradually stabilized as trade negotiations progressed. Looking forward to the RMB exchange rate trend this year, if the US and China continue to advance toward resolving their differences in trade negotiations, coupled with the effect of economic policies that may accompany the US elections, the RMB exchange rate is expected to continue to depreciate in the medium and long term.

In terms of inflation, the annual growth rate of the consumer price index (CPI) of countries around the world has increased slowly each year. However, central banks exerted management and control measures and there are no signs of excessive changes. We expect future inflation levels to be maintained at stable conditions.

A. Impact on the Company's profit/loss:

The main currencies used by the Company include USD and RMB and the payment periods of the both Company's assets and liabilities are at similar levels and can therefore offset market risks. We do not expect material market risks.

B. Future response measures:

To evade the risks of exchange rate fluctuations, the Company adopts hedging on the basis of receivable and payable foreign currency positions for its operations in derivative products. We also offset assets and liabilities to reduce exposure and the impact of exchange rate risks.

(3) Regarding policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the Company has established the "Procedures for Acquisition and Disposal of Assets", "Procedures for Lending to Others", "Procedures for Making Endorsements and Guarantees", and "Procedures for Engaging in Transactions of Derivative Products" as the basis for the Company and its subsidiaries' related actions.

Except for endorsements, guarantees, and loans between the Company and subsidiaries and between subsidiaries, there are no endorsements, guarantees, or loans between the Company and other companies. The aforementioned endorsements, guarantees, and loans have been processed in accordance with related operating procedures and do not affect consolidated profit and loss. The Company has always focused on operations in its main business and does not involve itself in other high-risk industries. We also base our finance policy on the principles of stability and conservatism and we do not engage in high-risk high-leverage investments or transactions. The level of related risks should be considered as limited.

The Company operates derivative products to reduce the exchange rate risks resulting from the appreciation of RMB. We operated relatively few derivative products in 2019, and therefore, the occurrence of unrealized gains and losses was limited. As transactions in derivative products are based on hedging accounts receivable and payable, the unrealized gains and losses can be offset

against foreign currency positions on the account. Therefore, there should be no material impact.

(4) The expected benefits and potential risks of mergers and acquisitions and response measures: We improve our independent process capacity and reduce cost in response to product transformation. There are currently no potential risks of mergers or acquisitions.

11. The impacts of change of corporate image on the enterprise crisis management and the response measures:

The Company has adopted a people-oriented corporate philosophy and core values for integrity, responsibility, and excellence since its establishment. We actively strengthen internal management to improve quality and efficiency. We also continue to recruit outstanding talents to serve the Company and cultivate the capabilities of our management team. The Company has received multiple awards in the areas of business development, corporate governance, patent achievements, innovative performance, profit growth, investor relations, and environmental protection. A total of 868 TWSE listed companies and 686 OTC listed companies have undergone corporate governance evaluation in 2018 (evaluation results for 2019 have not yet been published). Among 1,554 companies, the Company scored 89.5 points in the corporate governance evaluation. The range of our ranking by listed companies: **6%~20%** .

In addition, the Company has received environmental credit ratings by multiple provincial governments of Mainland China, including the Blue Enterprise, Green Brand Enterprise, Green Environmental Protection Model Enterprise, Water Conservation Construction Award, Advanced Unit for environmental protection task, Green Factory of green manufacturing enterprise, and Water-Saving Enterprise (please see the annual report for further information on environmental awards received by our plants over the year). We also won the Best Wastewater Treatment Award in the first Microsoft Annual Supplier Social and Environmental Responsibility Conference, Best Energy Conservation Award in the second Microsoft Annual Supplier Social and Environmental Responsibility Conference, and Best Corporate Social Environment Responsibility Award in the third Microsoft Annual Supplier Social and Environmental Responsibility Conference. As a result, our corporate image and culture were further enhanced.

As of the printing date of the prospectus, there were no need for crisis management resulting from change of corporate image.

12. Risks associated with over-concentration in purchase or sale and response measures:

(1) Concentrated purchases:

The PCB industry is a mature industry with numerous upstream suppliers and abundant resource supply. The Company has dispersed sources of materials and there is currently no risk of concentrated purchases.

(2) Concentrated sales:

The Company is a professional PCB manufacturer and PCBs are used in a wide range of applications. International brand customers are mainly concerned about the system assembly and manufacturing strategies for PCB supply. Our main customers include large-scale international electronic manufacturing services (EMS), original design/equipment manufacturer (ODM/OEM) designated by brand customers, and assembly plants of brand

customers. The Company works closely with brand customers and we also maintain close partnerships with EMS and ODM/OEM manufacturers. However, more than 60% of our current operating revenue derives from designated production and manufacturing by international brand customers.

International brand companies have increasingly delegated production to professional EMS. For instance, Company A and its subsidiaries are the largest companies in the world that adopted this operating model. The results were based on Company A's position in the global electronics industry supply chain, its scale of operations, and influence in procurement as well as the characteristics of its end customers who are renowned international communication, consumer electronics, and information and computer brand companies. Therefore, there are no risks of concentrated sales.

13. Risks of turnover of senior managerial officers and other important employees and response measures

The Company has succeeded in expanding business operations since its establishment due to the senior management's business strategies, vision, and their accumulated customer relationships. A significant part of the Company's future success will be determined by the continuous contribution of the current management team.

The Company's future success will also be determined by the Company's capacity for retaining, attracting, and encouraging employees (including management, sales, marketing, and finance personnel, particularly design and technical personnel) and training their successors. As the source of technology and product innovation, the Company's design and technical personnel are vital assets of the Company.

Response measures

The Company currently adopts a rotating CEO system to train its successors. Executive meetings with the Chairman of the board, the president, and various department heads are held regularly to discuss and select teams of potential successors from top-level management, plan the paths of development, and review schedules. Training methods include courses and online training course for improving leadership and business combat ability. The training model is divided into management ability, professional ability, overseas engagement, CMBA, language learning, and personal development plan. Key talents are assigned important tasks and rotated to other job roles to increase their training experience and accelerate their personal development. These people are given priority to fill relevant job vacancies.

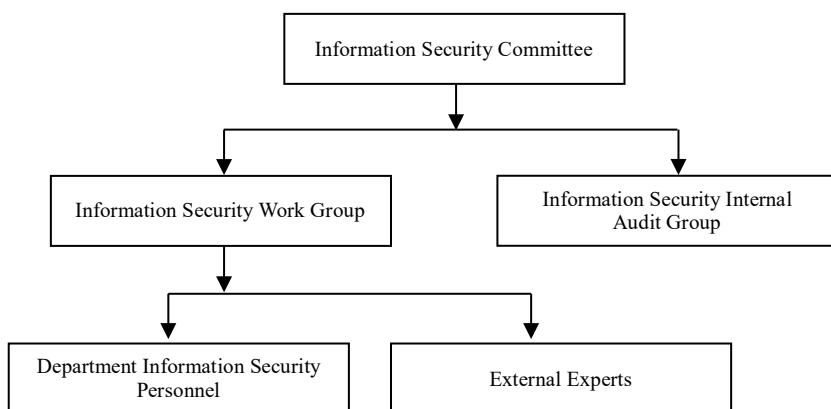
Since the launch of the key talent development program, members including the chairman, president, and vice presidents of the Group attend weekly meetings to provide resolutions on management talent recruitment, job promotions, overseas business trips, and career development plans and confirm whether such resolutions are executed. The president of the Company and various excellent-performing vice presidents of the Group are also included for consideration as the potential successor of members of the Board of Directors.

The Company advances the successor training program and remains committed to improving the internal work environment. We provide reasonable remuneration and promotion system to strengthen the connection between the performance of senior management and the Company and reduce the risks of turnover of senior managerial officers and other important employees.

14. Information security risks and response measures:

(1) Information Security Organization

The Company restructured the organization of its Information Security Committee in January 2018. Changes included designating the head of each department as committee members and meetings are held periodically to formulate and review the objectives, policies, and processes of information security management. To effectively promote the implementation of information security management policies, the Company has established an Information Security Work Group and an Information Security Internal Audit Group. Both groups are composed of senior managers from various functional departments to promote the continuous and steady operations of the Company. Details are illustrated in Figure 1:



(2) Information Security Policy

Our information security strategy is focused on three dimensions of information security governance, compliance, and technology to provide comprehensive protection of information security at the institutional to technical level and individual to organizational level. To strengthen information security management, the Company not only plans network frameworks by using the most rigorous IT requirements, but also establishes an information security policy, which states: "When maintaining the confidentiality, integrity and availability of the Company's information to avoid situations in which human negligence and deliberate sabotage lead to improper use, leakage, tampering, damage, and loss of assets, or situations in which assets are unavailable due to natural disasters, thereby affecting the business continuity and compromising the company's interests." The Company controls the likelihood of information security incidents by employing information security strategies, contingency mechanisms, and soft/hardware facilities.

(3) Information security risk management

The Company actively plans and deploys information security measures and constantly improves the information security environment to reduce information security risks. In terms of management, the Company develops management regulations covering the aspects of policy development, organizational responsibilities, personnel safety, document control, asset management, communications and operational management, interview control, physical environment, system development and maintenance, business continuity management, information security management, and compliance. In terms of technology, the Company has installed firewalls, intrusion

detection system, email security system, operating system automatic detection and update, anti-virus systems, network access control system, security monitoring system, and vulnerability scanning system. At the end of every year, the Information Security Committee conducts reviews on the status of information security operations, risk control, and event corrections and uses the results to control and reduce information security risks. The Company organizes internal review and management review at least once a year, but not more than 12 months apart, to check the presence or absence of information security risks and to adopt corrective and preventive measures in a timely manner to ensure the continuous operation of its businesses.

(4) Employee information security training

The Company requires new employees to attend basic information security education and training. For existing employees, we organize information security training, announcements, and video campaigns regularly to raise their information security awareness. When problems are identified through internal information auditing, we carry out corrective prevention procedures immediately to control information security by reporting information security events, enhancing the company's maturity in information security, and raising employees' awareness on the prevention of external malicious attacks, in order to protect the information security of the company's production and management activities.

(5) The Company did not experience any serious cyber attacks that impact the company's operations in 2019.

15. Intellectual property rights risks and response measures

Intellectual property rights are a core element of market competitiveness, and countries around the world will compete for intellectual property rights in the future. Enterprises are the subject of independent innovation and more importantly, the subject creating, managing, using, and protecting intellectual property rights. Improving how an enterprise manages its intellectual property rights enables the enterprise to reinforce its independent innovation capability.

Regarding technological development achievements and intellectual property rights protection policies, the Company focuses on establishing intellectual property rights portfolios to strengthen protection over its R&D and technological achievements, and incorporate them into the company's operating directions to ensure the company's competitive advantage in this industry. The Company respects the intellectual property rights of others and does not use unauthorized intellectual property rights. We also cooperate with world-class enterprises to develop the required technologies, patents, software, trade secrets or know-how and in turn acquire legally authorized or share intellectual properties (e.g., technologies).

The Company actively applies for patents in Taiwan, Mainland China, and the United States and maintains its industry-leading status. As of December 31, 2019, the Company has accumulated 904 effective patents in Taiwan, China, and the United States including 395 in Taiwan, 363 in Mainland China, and 146 in the United States. We also continue to apply for patents for our R&D results in advanced technologies.

Response measures

The Company conducts investigations on technologies before developing new products, new processes, new equipment, or new systems. Such investigations aim

to prevent the infringement of third-party intellectual property rights. At each stage of new technological development, we carry out risk investigation and self-inspection and when necessary, we establish response strategies in advance to avoid a risk. The Company has provided reports to the Board of Directors on June 21, 2019.

16. Compliance with environmental protection, safety, and sanitation regulations

The Company strictly abides by environmental protection, safety, and sanitation regulations in the countries of operations (including BVI, Mainland China, and Taiwan). Failure to comply with such regulations may result in fines and/or suspension or revocation of the Company's business license or permit. As such regulations encompass a wide range of complicated issues, compliance with such regulations may be difficult and we may be required to invest large amounts of financial and other resources to establish effective compliance and monitoring systems for compliance.

In addition, relevant government authorities will continue to implement additional or more rigorous laws and regulations each year. Compliance with related regulations may increase the Company's cost. Furthermore, certain countries may implement certain technical, sanitary, or environmental regulations on the Company's products. If the Company fails to reach related standards currently adopted by such countries and regions or those adopted in the future, the Company may suffer negative impact in business operations in these markets. The legislature is reviewing and revising other environmental protection laws and regulations (e.g., regulations on the limits of VOCs). Because the content of the laws and regulations has not yet been determined, the specific impact of such laws and regulations is unknown.

Response measures

The Company has strictly complied with the environmental protection, safety, and sanitation regulations in countries of operations (including BVI, China, and Taiwan) since its establishment. We also established dedicated environmental protection and safety and sanitation management units (Environment and Conservation Division and Industry Safety Division) to take charge of the Company's various environmental protection/energy conservation, and safety/sanitation/health management affairs. We also pay close attention to changes in environmental protection, energy conservation, safety/sanitation/health policies across the world and on all levels of government in China. We predict future regulatory trends and implement advanced analysis, response, plans, and execution to minimize risks of changes in policies.

17. Risks associated with non-compliance with environmental and climate change related laws and regulations, and other international laws, regulations and accord, and response measures

The Company is subject to a number of government laws and regulations because it engages in production activities in numerous areas, has customers around the world, and is subject to environmental, climate-related, health and safety, and humanitarian conflict-free sourcing laws.

The Company's failure to comply with any such laws or regulations, as amended from time to time, and its failure to submit documents to relevant authorities in a timely manner could result in:

- significant penalties and legal liabilities, such as the denial of import or export permits or third party private lawsuits, criminal or administrative proceedings;

- the temporary or permanent suspension of production of the affected products;
- challenges from customers that place the company at a significant competitive disadvantage, such as loss of actual or potential sales contracts in case the Company is unable to satisfy the applicable legal standard or customer requirement;
- restrictions on company operations or product sales;
- loss of tax benefits, including termination of current tax incentives, disqualification of tax credit application and repayment of the tax benefits that the company is not entitled to; and
- damages to the company's reputation.

Response measures

Complying with applicable laws and regulations, such as environmental and climate change related laws and regulations, could also require the Company to take a number of measures, including the following:

- (1) Purchase, use, and setup remedial equipment;
- (2) Implement remedial programs such as climate change mitigation programs; and
- (3) modify product designs and manufacturing processes, or incur other significant expenses such as obtaining substitute raw materials or chemicals that may cost more or be less available for the Company's production operations.

The Company's inability to timely obtain approvals necessary for the conduct of its business could impair its operational and financial results. For example, if the Company is unable to timely obtain environmental related approvals needed to undertake the development and construction of a new fab or expansion project, then such inability may delay, limit, or increase the cost of its expansion plans that could also in turn adversely affect its business and operational results. In light of increased public interest in environmental issues, the Company's operations and expansion plans may be adversely affected or delayed in response to public concerns and social environmental pressures even if the company operations complies with all applicable laws and regulations.

The Company believes that climate change should be regarded as a significant corporate risk that must be controlled to improve corporate competitiveness. Climate change might result in regulatory, climate disaster, and other types of risks. Control measures for such risks are as follows:

- Climate regulatory risks:

The greenhouse gas (GHG) control regulations or agreements of countries around the world are becoming increasingly stringent. Enterprises are legally required to regularly disclose GHG-related information, and also limit GHG emissions. The cost of production, including raw materials and energy, may also increase along with future legal requirements, such as carbon or energy taxes and total carbon emission control trading. The Company communicates with various governments through industrial organizations and associations to set reasonable and feasible legal requirements.

The Company encourages major suppliers to conduct inventory of GHG emissions, guide them on establishing ISO systems, and increase the green performance of suppliers, thereby enhancing the Company's CSR influence.

- Climate disaster risks

Abnormal climate caused by the global warming effect has increased the frequency and severity of climate disasters – storms, floods, drought, and water shortages – causing considerable impacts on business operations and supply chains. The Company believes that climate change control should take into account both mitigation and adaption. Therefore, in addition to basic carbon-reduction and water-saving measures the Company undertakes at its own facilities and those of upstream and downstream suppliers, since 2014, the Company has also voluntarily disclosed information relevant to its GHG emissions and reduction on the Market Observation Post System. Meanwhile, we also assist major suppliers, as requested, to establish GHG inventory system and commit to GHG reduction activities in order to serve as the key basis of evaluation in the company's procurement strategy.

The Company adopts numerous prevention measures against potential risks that may influence the company's image such as earthquake, fire, disruption to information system service, supply chain disruption, and environmental incidents, among other significant events. Moreover, we have established a Crisis Commanding Center and set up an Emergency Response Commanding Team. The Company regularly organizes environmental, safety and health meetings on a monthly basis at its plants to ensure smooth communication with stakeholders when handling a crisis. A spokesperson is appointed to speak on behalf of the company to external parties. When the above mentioned crisis occurs, each department must be able to initiate an emergency response measure that prevents or reduces the impact of accidental incidents on the safety of personnel, surrounding environment, company property, and business operations. All departments must also provide clear and consistent explanations to the public to maintain the company's image.

(V) Other significant risks and response measures

The Company's risk management policy is based on the establishment of a risk management system with risk identification, measurement, supervision, and control. We promote a model with an appropriate level of risk management to achieve operating goals and increase value for shareholders.

The risk management organizational chart and other critical risks and response measures are provided below:

1. Risks of changes in the demand for consumer electronics products

The demand for consumer electronics products is determined by the taste and preferences of consumers and government policies of different countries. The composition of product suppliers and their market share change rapidly. The integration of the Company's products and producers of consumer electronics products and the growth rate of the market share of the Company's products are determined by the ability of consumer electronics producers to predict consumer taste and preferences and the Company's capacity for the design, development, production, and sales of products to end customers. Related measures adopted by government authorities also affect the demand and sales of consumer electronics products.

Response measures

The Company would pay close attention to market demands and gain head starts on the market. We shall develop more innovative and advanced products to reduce the risks of changes in demand for consumer electronics products. We shall also pay close attention to changes in government policies and reduce the negative impact of

changes in policies simultaneously.

2. Shareholder interest protection risks

There are several differences in the provisions of the Cayman Islands Companies Law and the Company Act of the Republic of China (ROC). Although the Company has revised its Articles of Incorporation according to the Checklist for the Protection of Shareholder Rights and Interests in the Registration Site of a Foreign Issuer, there are still a number of differences related to corporate operations in the laws of both countries. An investor is unable to adopt the concept of legal rights protection for investments in Taiwanese companies when investing in a Cayman Islands company. Investors should have proper understanding and consult professional advice to ensure that investments made in a company incorporated in the Cayman Islands are subject to protection of shareholders' interests.

3. Public trading market risks

The Company's stocks were listed on the Taiwan Stock Exchange on December 26, 2011. However, stock prices may fluctuate quickly for several different reasons, and some of which may not be controlled by the Company. The reasons are as follows:

- Changes in the results of operations of the Company and other similar companies;
- Investors' perception of changes in the value of companies similar to the Company;
- Economic development of the overall consumer electronics industry;
- Slow or negative growth in the overall economy and related markets;
- Political or economic conditions of the target markets for the Company's products;
- Changes in financial forecast or indicators including the Company's ability to achieve future income and forecast or indicators for operating profits or losses;
- Changes in profitability forecast or recommendations of securities analysts;
- Announcements of acquisitions, new products, material contracts or orders, business relationships, or other capital commitment from the Company or the Company's competitors;
- The Company's capacity for rapid research and development and launch of advanced new products;
- The Company's litigation or involvement in litigation;
- Suspension of operations;
- Material changes in the Board of Directors or management; and changes in laws and regulations.

For more information on the Company's key risks and response measures, please see Pages 273 to 288 for information on favorable factors and unfavorable factors for the Company's development and response strategies. Although we have such response strategies, they may not be completely carried out due to force majeure factors during implementation. Related risks may still impact the Company's businesses, results of operations, and financial position.

VII. Other important issues: None.

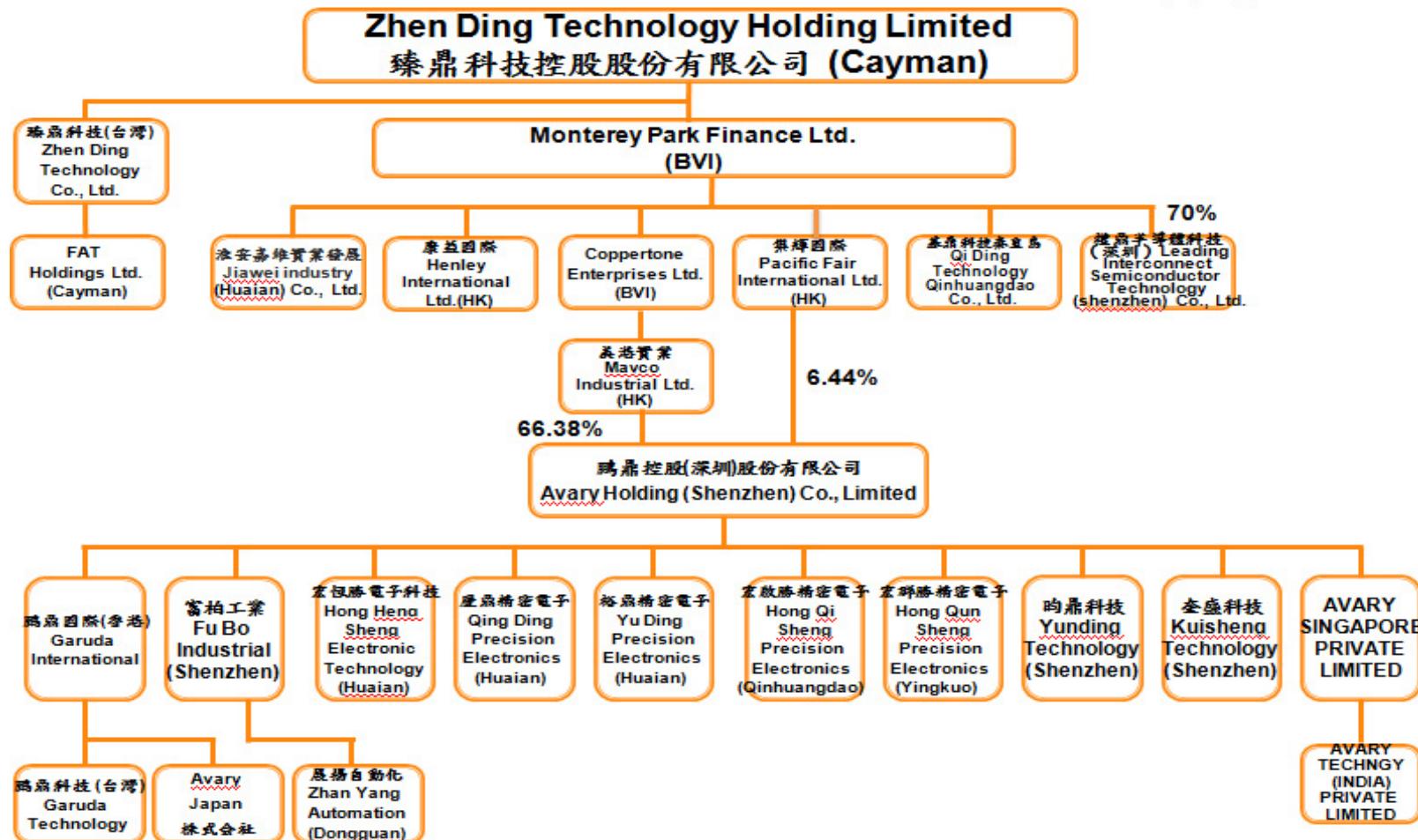
Chapter 8 Special Notes

I. Information on Affiliated Companies in the Most Recent Year

(I) Consolidated business report of affiliates

1. Organization structure of affiliated companies

参考日期：108.12.31



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2. Basic information of the various affiliated companies

As of December 31, 2019

Name of companies	Date of establishment	Address	Capital	Principal business or core products
ZHEN DING TECHNOLOGY HOLDING CO., LTD.	1978.09.02	No.6, Lane 28, Sanho Road, Sanshi Village, Dayuan District, Taoyuan City, Taiwan, R.O.C.	NT\$ 125,488 thousand	Design, development, and sales of electronics products
Monterey Park Finance Limited	1998.10.22	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 856,250 thousand	Investment holding
Coppertone Enterprises Limited	1998.12.28	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 102,786 thousand	Investment holding
Mayco Industrial Limited	2007.11.14	Suite 1222, 12/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong	HK\$ 9,321,842 thousand	Investment holding
Pacific Fair International Limited	2007.11.23	Suite 1222, 12/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong	HK\$ 2,133,300 thousand	Investment holding
FAT Holdings Limited	1999.03.01	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	US\$ 5 thousand	Investment holding
Henley International Limited	2016.07.06	Suite 1222, 12/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong	HK\$ 1	Sales of electronics products
Garuda International Limited	2016.08.30	Unit B,26/F.,CKK Commercial Centre,289 Hennessy Road, WanChai, Hong Kong	HK\$ 78,000 thousand	Sales of PCB products
Avary Singapore Private Limited	2019.03.18	8 WILKIE ROAD #03-01 WILKIE EDGE SINGAPORE (228095)	US\$100	Sales of PCB products
Avary Technology(India) Private Limited	2019.06.17	No.28, Padur Road, Kuthambakkam Village, Poonamalle Taluk, Thiruvallur District, Tamil Nadu 602107, India	INR 716,200 thousand	Design, development, manufacturing, and sales of PCB products
Avary Japan Co., Ltd.	2019.07.30	Suite 614, 1-chōme-12-9 Shinbashi, Minato City, Tōkyō-to, Japan	JPY 20,000 thousand	Investigation and analysis of market trends, expansion of new customer and supplier base, development of new technologies, materials, equipment, and machines

Name of companies	Date of establishment	Address	Capital	Principal business or core products
Garuda Technology Co., Ltd.	2016.12.28	Building 4, No.156, Zhongshan Road Section 1, Banqiao, New Taipei City, Taiwan, R.O.C.	NT\$ 25,000 thousand	Sales of PCB products
Avary Holding (Shenzhen) Co., Ltd.	1999.04.29	AVARY Park, Songluo Road, Yanchuan Community, Yanluo Street, Bao'an District, Shenzhen, Guangdong Province, China	RMB 2,311,431 thousand	Design, development, manufacturing, and sales of PCB products
Fu Bo Industrial (Shenzhen) Co., Ltd.	1998.08.03	AVARY Park, Songluo Road, Yanchuan Community, Yanluo Street, Bao'an District, Shenzhen, Guangdong Province, China	RMB 110,070 thousand	Design, development, manufacturing, and sales of PCB products
Yunding Technology (Shenzhen) Co., Ltd.	2015.12.15	AVARY Park, Songluo Road, Yanchuan Community, Yanluo Street, Bao'an District, Shenzhen, Guangdong Province, China	RMB 5,000 thousand	Design, development, and sales of PCB products
Kuisheng Technology (Shenzhen) Co., Ltd.	2017.03.28	AVARY Park, Songluo Road, Yanchuan Community, Yanluo Street, Bao'an District, Shenzhen, Guangdong Province, China	RMB 20,000 thousand	Design, development, manufacturing, and sales of PCB products
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	2007.01.29	No.196, XinHai Street, Coastal Industrial Base, Yingkou, Liaoning Province, China	RMB 713,702 thousand	Design, development, manufacturing, and sales of PCB products
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	2007.01.25	No.18, Tengfei Road, Qinhuangdao Economic and Technological Development Zone, Hebei Province, China	RMB 2,087,228 thousand	Design, development, manufacturing, and sales of PCB products
Honghengsheng ElectroniTechnology (Huai'an) Co., Ltd.	2006.12.06	No.168, Fushikang Road, Huai'an Economic and Technological Development Zone, Jiangsu Province, China (within the Comprehensive Bonded Zone)	RMB 926,487 thousand	Design, development, manufacturing, and sales of PCB products
Yuding Precision Electronics (Huai'an) Co., Ltd.	2014.06.23	No. 18, Pengding Road, Huai'an Economic and Technological Development Zone, Jiangsu Province, China	RMB 240,940 thousand	Design, development, manufacturing, and sales of PCB products
Qingding Precision Electronics (Huai'an) Co., Ltd.	2014.06.23	No. 8, Pengding Road, Huai'an Economic and Technological Development Zone, Jiangsu Province, China	RMB 1,550,526 thousand	Design, development, manufacturing, and sales of PCB products
Qiding Technology (Qinhuangdao) Co., Ltd.	2016.08.08	No.18-2, Tengfei Road, Qinhuangdao Economic and Technological Development Zone, Hebei, China	US\$ 70,000 thousand	Design, development, manufacturing, sales, and

Name of companies	Date of establishment	Address	Capital	Principal business or core products
				wholesale of electronics products, and import/export of related products
Jiawei Industry (Huai'an) Co., Ltd.	2018.07.05	Room A306, Building 2, No. 111, Yingbin Avenue, Huai'an Economic and Technological Development Zone, Jiangsu Province, China	RMB 163,188 thousand	Manufacturing and sales of building materials, furniture, and hardware tools; Sales of decorative materials; Business information consultation; Catering management; Catering services
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	2019.08.26	Zone B, Suite 403, Building B, Binhai Mansion, No. 2021, Haixiu Rd., Zone 26, Haiwang Community, Xingye Rd, Bao'an District, Shenzhen	—	General Business Scope: Panel-grade fan-out packaging, multi-chip testing, high-speed high-frequency testing, production of redistribution layer, IC packaging and testing, and IC-related design, development, sales, and after-sales service; Approved Business Scope: Research, development, and production of IC packaging substrate, materials for IC only, system-level packaging substrate, and solder ball bump.
Zhanyang Automation (Dongguan) Co., Ltd.	2019.12.19	Suites 201–204, No.1, Songshan Lake Intelligent Valley Science Research Center, No. 6, Minfu Rd., Liaobu	—	Research, development, sales, and processing:

Name of companies	Date of establishment	Address	Capital	Principal business or core products
		Township, Dongguan City, Guangdong Province		Automated equipment; Cargo or technology import/export
Avary Holding Investment (Shenzhen) Co., Ltd.	2020.01.19	AVARY Park, Songluo Road, Yanchuan Community, Yanluo Street, Bao'an District, Shenzhen, Guangdong Province, China	—	Investing in production businesses, project investments, corporate management consulting, and economic information consulting services (excluding recruitment agency services, insurance, securities, financial business, and other restricted items)

Note: Completed the liquidation of Pacific Stand Enterprises Limited on April 23, 2019.

3. Information of common shareholders who are presumed to have controlling and subordinate relationship: None

4. Status of operation for various affiliated companies:

As of December 31, 2019; Unit: various currencies

Name of business	Currency	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Current profit and loss	Earnings per share
Monterey Park Finance Limited	USD	856,250,000	2,446,247,469	—	2,446,247,469	—	(8,250)	301,713,836	0.35
Zhen Ding Technology Co., Ltd.	NTD	125,488,000	3,411,466,387	368,923,658	3,042,542,729	987,504,922	(229,200,464)	(170,333,521)	(13.57)
Coppertone Enterprises Limited	USD	102,785,806	2,015,870,814	—	2,015,870,814	—	(2,160)	282,039,329	2.74
Pacific Fair International Limited	USD	273,500,000	312,340,678	1,360,666	310,980,012	—	(1,715)	30,743,329	—
Henley International Limited	USD	1	8,803,819	8,204,164	599,655	31,553,323	132,915	133,432	—

Mayco Industrial Limited	USD	1,195,107,940	2,029,824,153	14,015,084	2,015,809,069	—	(1,935)	282,041,488	—
FAT Holdings Limited	USD	5,000	24,814,199	—	24,814,199	—	(4,281)	559,104	111.82
Garuda International Limited	USD	10,000,000	1,160,519,924	1,057,802,454	102,717,470	3,904,369,512	35,679,785	32,370,443	—
Avary Singapore Private Limited	USD	100	9,664,841	10,109,562	(444,721)	—	(65)	(606,330)	—
Avary Technology (India) Private Limited	INR	716,200,000	747,027,423	66,449,040	680,578,383	—	(35,535,685)	(35,621,617)	(0.50)
Avary Japan Co., Ltd.	JPY	20,000,000	10,506,277	981,331	9,524,946	—	(10,475,054)	(10,475,054)	—
Garuda Technology Co., Ltd.	NTD	25,000,000	8,367,775,927	8,551,341,680	(183,565,753)	21,013,266,296	265,837,318	80,268,781	32.11
Avary Holding (Shenzhen) Co., Ltd.	RMB	2,311,430,816	24,298,137,437	4,483,761,437	19,814,376,000	13,175,242,529	1,232,500,456	3,057,455,921	—
Fu Bo Industrial (Shenzhen) Co., Ltd.,	RMB	110,069,974	198,601,346	56,735,763	141,865,583	—	(1,617,692)	6,089,987	—
Yunding Technology (Shenzhen) Co., Ltd.	RMB	5,000,000	5,324,167	91,356	5,232,811	1,837,164	262,307	318,138	—
Kuisheng Technology (Shenzhen) Co., Ltd.	RMB	20,000,000	66,091,874	39,807,588	26,284,286	281,014,258	2,405,519	2,320,735	—
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	RMB	1,013,701,800	134,464,305	111,584,305	22,880,000	556,500,658	(96,399,608)	(344,308,727)	—
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	RMB	2,087,227,800	8,242,804,323	3,507,323,252	4,735,481,071	8,585,112,501	1,401,460,885	1,222,449,779	—
Honghengsheng Electronic Technology (Huai'an) Co., Ltd.	RMB	926,487,130	1,363,901,331	1,177,928,764	185,972,567	1,044,148,341	32,938,582	(7,608,396)	—
Yu Ding Precision Electronics (Huai'an) Co., Ltd.	RMB	240,940,100	380,446,360	165,173,196	215,273,164	—	(38,995,123)	(517,258)	—

Qing Ding Precision Electronics (Huai'an) Co., Ltd.	RMB	1,550,525,900	5,873,147,155	3,241,494,157	2,631,652,998	7,993,536,988	463,440,797	427,156,867	—
Qi Ding Technology (Qinhuangdao) Co., Ltd.	RMB	477,026,000	618,692,148	238,654,064	380,038,084	327,327,622	(88,742,018)	(81,050,555)	—
Jiawei Industry (Huai'an) Co., Ltd.	RMB	163,187,510	162,455,793	—	162,455,793	—	(78,798)	(731,717)	—
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	RMB	—	—	—	—	—	—	—	—
Zhanyang Automation (Dongguan) Co., Ltd.	RMB	—	—	—	—	—	—	—	—
Avary Holding Investment (Shenzhen) Co., Ltd.	RMB	—	—	—	—	—	—	—	—

Note: Completed the liquidation of Pacific Stand Enterprises Limited on April 23, 2019.

5. Information of directors, supervisors and presidents in all affiliated companies:

As of December 31, 2019

Name of affiliated companies	Title	Name or representative	Number of shares held	
			Number of shares	Shareholding percentage (%)
Monterey Park Finance Limited	Director	Zhen Ding Technology Holding Limited - Chang-Fang Shen	856,250,000	100%
Zhen Ding Technology Co., Ltd.	Chairman	Zhen Ding Technology Holding Limited - Chang-Fang Shen	12,548,800	100%
	Director	Zhen Ding Technology Holding Limited - Te-Wang Hsiao		
	Director	Zhen Ding Technology Holding Limited - Wei-Chen Yang		
	Supervisor	Zhen Ding Technology Holding Limited - Che-Hung Yu		
	Director	Monterey Park Finance Limited - Chang-Fang Shen		
Pacific Fair International Limited	Director	Monterey Park Finance Limited - Chang-Fang Shen	2,133,300,000	100%
Henley International Limited	Director	Monterey Park Finance Limited - Chun-Mei Chen	1	100%
Mayco Industrial Limited	Director	Coppertone Enterprises Limited - Chang-Fang Shen	9,321,841,932	100%

Name of affiliated companies	Title	Name or representative	Number of shares held	
			Number of shares	Shareholding percentage (%)
FAT Holdings Limited	Director	Zhen Ding Technology Holding Limited - Chang-Fang Shen	5,000	100%
Garuda International Limited	Director	Avary Holding (Shenzhen) Co., Ltd. - Te-Wang Hsiao	78,000,000	100%
Avary Singapore Private Limited	Director	Avary Holding (Shenzhen) Co., Ltd. - Wen-Xiang Su	98	98%
	Director	Avary Holding (Shenzhen) Co., Ltd. - Ming-Hao Wu		
	Director	Avary Holding (Shenzhen) Co., Ltd. - Yin-Yin Lee	1	1%
	Director	Avary Holding (Shenzhen) Co., Ltd. - Hui-Lai Wu	1	1%
Avary Technology (India) Private Limited	Director	Xiang-Qin Wu	—	—
	Director	Wen-Xiang Su	—	—
	Director	Harshita Saboo	—	—
Avary Japan Co., Ltd.	Director	柏谷伸一	—	—
Garuda Technology Co., Ltd.	Chairman	Garuda International Limited - Wei-Chen Yang	2,500,000	100%
	Director	Garuda International Limited - Te-Wang Hsiao		
	Director	Garuda International Limited - Tun Ling		
	Supervisor	Garuda International Limited - Che-Hung Yu		
Avary Holding (Shenzhen) Co., Ltd.	Chairman	Chang-Fang Shen	22,987,339	0.99%
	Director	Che-Hung Yu	—	—
	Director	Ming-Chien Kuo	—	—
	Director	Kuang-Chieh Huang	—	—
	Director	Jen-Shou Hsu	—	—
	Director	Chung-Hsing Huang	—	—
	Director	Po Chang	—	—
	Supervisor	Cheng-En Ko	—	—
	Supervisor	Hsiu-Ching Tsang	—	—
	Supervisor	Chun-Na Miao	—	—
Fu Bo Industrial (Shenzhen) Co., Ltd.	Chairman	Jung-Hsien Hsueh	—	—

Name of affiliated companies	Title	Name or representative	Number of shares held	
			Number of shares	Shareholding percentage (%)
	Director	Ming-Tsan Kao	—	—
	Director	Chin-Sheng Lin	—	—
	Supervisor	Hao-Hsu Li	—	—
Yunding Technology (Shenzhen) Co., Ltd.	Executive Director	Te-Wang Hsiao	—	—
	Supervisor	Wei-Chen Yang	—	—
Kuisheng Technology (Shenzhen) Co., Ltd.	Executive Director	Chung Lin Fu	—	—
	Supervisor	Wen-Tai Tai	—	—
Hong Heng Sheng Electronic Technology (Huai'an) Co., Ltd.	Chairman	I-Hung Lin	—	—
	Director	Chen-Kun Fan	—	—
	Director	Wei-Chung Lin	—	—
	Supervisor	Hsien-Chun Peng	—	—
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Chairman	Shih-Te Chou	—	—
	Director	Pang-Chi Liu	—	—
	Director	Wei-Chung Lin	—	—
	Supervisor	Meng-Chih Liu	—	—
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Chairman	Hsiao-Nung Tung	—	—
	Director	Meng-Chih Liu	—	—
	Director	Chen-Kun Fan	—	—
	Supervisor	Kun-Hsing Chen	—	—
Yuding Precision Electronics (Huai'an) Co., Ltd.	Chairman	I-Hung Lin	—	—
	Director	Meng-Chih Liu	—	—
	Director	Hsien-Chun Peng	—	—
	Supervisor	Wei-Chung Lin	—	—
Qingding Precision Electronics (Huai'an)	Chairman	Chen-Kun Fan	—	—

Name of affiliated companies	Title	Name or representative	Number of shares held	
			Number of shares	Shareholding percentage (%)
Co., Ltd.	Director	I-Hung Lin	—	—
	Director	Wei-Chung Lin	—	—
	Supervisor	Hsien-Chun Peng	—	—
Qiding Technology (Qinhuangdao) Co., Ltd.	Executive Director	Chang-Fang Shen	—	—
	Supervisor	Pang-Chi Liu	—	—
Jiawei Industry (Huai'an) Co., Ltd.	Executive Director	Jin-Ten Chang	—	—
	Supervisor	Wei-Ping Chen	—	—
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Executive Director	Ting-Chuan Lee	—	—
	Supervisor	Jin-Ten Chang	—	—
Zhanyang Automation (Dongguan) Co., Ltd.	Executive Director	Chin-Fa Lee	—	—
	Supervisor	Su-Chuan Chang	—	—
Avary Holding Investment (Shenzhen) Co., Ltd.	Executive Director	Te-Wang Hsiao	—	—
	Supervisor	Hsu-Hua Wang	—	—

Note: Completed the liquidation of Pacific Stand Enterprises Limited on April 23, 2019.

(II) Consolidated Financial Statement of Affiliates: please refer to page 173 to 269 of the Annual Report for more information.

(III) Affiliated Company Consolidated Financial Report Statement: Not applicable.

II. Private Placement of Securities of the Most Recent Year as of the Publication Date of This Report: None.

III. Securities Acquired, Disposed of, or Held by Subsidiaries in the Most Recent Year as of the Publication Date of This Report: None.

IV. Other Necessary Supplemental Information: None.

V. Events with Major Impacts on Shareholder Equity or Share Value Described in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year as of the Publication Date of This Report: None.

VI. Explanation of Material Differences Between the Company's Articles of Incorporation and Protection of Shareholders' Equity Required by the Laws of the Republic of China:

(I) The Company has amended its Articles of Incorporation based on matters concerning the protection of shareholders of issuer as indicated in the "Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation", which was announced by the Taiwan Stock Exchange on November 9, 2009. However, because partial sections on shareholders' rights protection are not applicable under the laws and regulations of the Cayman Islands, these sections are not included in the Articles of Incorporation. Please refer to the description below for details.

(II) The Company does not intend to handle distribution of earnings or make-up of deficit at the end of each quarter or halfway through the fiscal year. Therefore, we did not include rules on the distribution of earnings or make-up of deficit at the end of each quarter or halfway through the fiscal year in our amendments to the Articles of Incorporation. In addition, our amendments to the Articles of Incorporation have incorporated matters concerning the protection of shareholders of issuer as indicated in the "Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation", which was announced by the Taiwan Stock Exchange on December 25, 2019.

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
II. Procedure for Convening a Shareholders' Meeting or Method of Adopting Resolutions		
1. Shareholders' meetings shall be convened within the territory of the Republic of China. If a shareholders' meeting is convened outside the territory of the Republic of China, it shall be resolved by the Board of Directors or permitted by the competent authority and then reported to the stock exchange for approval within two days. 2. Shareholders who have continuously held 3% or more of the total number of outstanding	Paragraphs 1 and 2, Article 173 of the Company Act	The Companies Law of the Cayman Islands does not stipulate that shareholders must obtain the approval of the authority of the Cayman Islands in order to convene an extraordinary shareholders' meeting independently. Therefore, Article 17.2 of the Articles of Incorporation does not specify that shareholders shall obtain approval of the competent authority before convening an extraordinary shareholders' meeting independently. If shareholders convene an extraordinary shareholders' meeting independently outside the territory of the

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
<p>shares for a period of one year or longer may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. If the Board of Directors fails to send a notice of shareholders' meeting within 15 days after the request is made, the shareholders may convene the meeting with the approval of the competent authority.</p>		<p>Republic of China, it requires no approval from the authority of the Cayman Islands. Therefore, Article 18.5 of the Articles of Incorporation only specifies that prior approval of Taiwan Stock Exchange shall be obtained rather than that "it shall be permitted by the regulator and then reported to the stock exchange for approval within two days" as required in by the Important Matters Concerning the Protection of Shareholders' Equity.</p>
<p>When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means; however, when the Company holds a shareholders meeting outside the territory of the Republic of China, it shall allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. If the shareholder decides to attend the shareholders' meeting in person after submitting a written or electronic vote, a proper declaration of withdrawal must be issued in the same method as did the original vote no later than one day before the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or</p>	<p>Article 177-1 of the Company Act Article 177-2 of the Company Act</p>	<p>According to the lawyers in the Cayman Islands, the Companies Law of the Cayman Islands does not specify that a shareholder who exercises his/her voting power by correspondence or electronic means shall be deemed to have attended the said shareholders' meeting in person; in addition, lawyers in the Cayman Islands have not found any relevant cases. Therefore, the Articles of Incorporation specifies that a shareholder who exercises his/her voting power by correspondence or electronic means shall be deemed to have authorized the chairperson to exercise his/her voting power at the shareholders' meeting and that the voting power which the chairperson is authorized to exercise shall not be subject to the provision that the number of voting power represented shall not exceed 3% of the voting rights of the total shares issued. Article 24.4 of the Company's Articles of Incorporation stipulates that "When a shareholder exercises the voting right by correspondence or electronic means at a shareholders' meeting according to the aforesaid provision, he/she shall be deemed to appoint the chairperson as a proxy to exercise the voting right at the shareholders' meeting as instructed by the shareholder by correspondence or electronic means. This is different from</p>

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
electronic means shall prevail.		the provision that "a shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person", as prescribed in the Important Matters Concerning the Protection of Shareholders' Equity. In addition, Article 25.3 of the Company's Articles of Incorporation stipulates that such a voting right which the chairperson of the shareholders' meeting has on behalf of the shareholder shall not be subject to the provision that the number of voting power represented shall not exceed 3% of the voting rights of the total shares issued.
<p>For the following motions that relate to major equity of the shareholders, the resolution shall be adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total outstanding shares of the Company:</p> <ol style="list-style-type: none"> 1. Enter into, amend or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with another party, transfer the whole or any essential part of its business or assets, or accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the Company. 2. Changes to constitution 3. Resolve at the preferred 	Article 185 of the Company Act Article 209 of the Company Act Article 227 of the Company Act Article 277 of the Company Act Paragraph 1, Article 240 of the Company Act Article 316 of the Company Act Article 43-6 of the Securities and Exchange Act	<p>1 Regarding the resolutions at a shareholders' meeting, in addition to the ordinary resolution and supermajority resolution under the laws of the Republic of China, Article 1.1 of the Company's Articles of Incorporation defines the special resolution under the Companies Law of the Cayman Islands. According to the definition, the special resolution means a resolution passed at a general meeting of the Company by a majority of at least two-thirds of the votes cast by shareholders (who, being entitled to do so, vote in person or by their proxies), and the notice of the meeting has legally stated that the resolution will be passed through a special resolution; however, the Company's Articles of Incorporation may specify a higher percentage and stipulate that matters subject to a special resolution may be passed by different percentages (but not less than two-thirds). Certain matters subject to a supermajority resolution in the Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation are subject to a special resolution in the</p>

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
<p>shareholders' meeting on an amendment to the Articles of Incorporation that prejudices the rights of preferred shareholders.</p> <p>4. Resolve on the distribution of stock and cash dividends through the issuance of new shares, in all or in part.</p> <p>5. Resolve on the liquidation, merger or divestment of the Company.</p> <p>6. Private placement of securities.</p>		<p>Articles of Incorporation under the Companies Law of the Cayman Islands (refer to Point 2 below). Because these differences arise from the Companies Law of the Cayman Islands, and the Company's Articles of Incorporation have already listed matters subject to a supermajority resolution in the Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation in matters subject to a supermajority resolution and those subject to a special resolution separately, this shall have a limited impact on the shareholders' equity.</p> <p>2 According to the Companies Law of the Cayman Islands, the following matters shall be passed by a special resolution:</p> <p>(1) Amendment to the Articles of Incorporation:</p> <p>According to the laws of the Cayman Islands, any amendments to the Articles of Incorporation shall be passed by a special resolution prescribed in the Companies Law of the Cayman Islands. As a result, the threshold of a resolution on any amendments to the Articles of Incorporation as set forth in Article 11.3 of the Articles of Incorporation is not changed into a supermajority resolution in accordance with the Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation.</p> <p>Furthermore, according to Article 12 of the Articles of Incorporation, if any amendments or changes to the Articles of Incorporation may prejudice the preferential rights of any class of shares, such amendments or changes shall be passed by a special resolution</p>

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
		<p>under the Companies Law of the Cayman Islands, and shall also be passed by a special resolution under the Companies Law of the Cayman Islands at a separate meeting of shareholders of that class of shares.</p> <p>(2) Dissolution: According to the laws of the Cayman Islands, if a company is voluntarily liquidated and dissolved because it is unable to repay its debts due, its dissolution shall be adopted by a resolution at a shareholders' meeting; however, if a company is voluntarily liquidated and dissolved for reasons other than the above, its dissolution shall be adopted by a special resolution in accordance with the Companies Law of the Cayman Islands. Therefore, the threshold of a resolution on the voluntary liquidation and dissolution of the Company as set forth in Article 11.5 of the Articles of Incorporation is not changed into a supermajority resolution in accordance with the Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation.</p> <p>(3) Merger: Because the Companies Law of the Cayman Islands has a mandatory requirement for voting on the "mergers defined by the laws of the Cayman Islands", Subparagraph (b), Article 11.4 of the Articles of Incorporation specifies that "mergers" (except for "acquisitions and/or mergers under the Companies Law of the Cayman Islands that shall be passed by a special resolution) shall be passed by a</p>

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
		<p>supermajority resolution. The aforementioned differences are caused by different regulations provided by the laws of the Cayman Islands. Although the Company only requires an ordinary resolution to proceed when "it is voluntarily liquidated and dissolved because it is unable to repay its debts due," this shall be regarded as more favorable to shareholders, and is only applicable in certain circumstances. This shall have a limited impact on the shareholders' equity.</p>
<ol style="list-style-type: none"> 1. The Articles of Incorporation shall stipulate that the distribution of earnings or make-up of deficit may be proposed at the end of each quarter or halfway through the fiscal year. 2. The proposal of earnings distribution or make-up of deficit for the first three quarters or first half of the fiscal year, together with the business report and financial statements, shall be forwarded to supervisors or the Audit Committee for their auditing, and afterwards be submitted to the Board of Directors for approval. 3. A company distributing earnings in accordance with the provision of the preceding paragraph shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. 4. A company shall distribute earnings in the form of new shares to be issued by the company in accordance with the provision of Paragraph 2 by a resolution adopted by a majority of the shareholders present who 	Article 228-1 of the Company Act	<p>According to the lawyers in the Cayman Islands, because the Company does not intend to handle distribution of earnings or make-up of deficit at the end of each quarter or halfway through the fiscal year, amendments to the Articles of Incorporation do not include rules on the distribution of earnings or make-up of deficit at the end of each quarter or halfway through the fiscal year. In addition, the amendments to the Articles of Incorporation have included matters concerning the protection of shareholders of issuer as indicated in the "Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation", which was announced by the Taiwan Stock Exchange on November 30, 2018.</p>

Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
<p>represent two-thirds or more of the total number of its outstanding shares of the company. In the event the total number of shares represented by the shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total outstanding shares of the Company. If such earnings is distributed in the form of cash, it shall be approved by a meeting of the Board of Directors.</p> <p>5. Earnings distribution or make up of deficit by a company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a CPA.</p>		

III. Authority and Responsibility of Directors

<p>1. Supervisors of a company shall be elected by a shareholders' meeting, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p> <p>2. The term of office of a supervisor shall not exceed three years. However, a supervisor may be eligible for re-election.</p> <p>3. In case all supervisors of a company are discharged, the Board of Directors shall, within 60 days, convene an extraordinary shareholders' meeting to elect new supervisors.</p> <p>4. Supervisors shall supervise the business operations of the Company. The supervisors may, whenever deemed necessary,</p>	<p>Articles 216 to 222 of the Company Act.</p>	<p>The Companies Law of the Cayman Islands does not have the concept of supervisors. The Company has set up an Audit Committee; therefore, the Articles of Incorporation does not have any provisions relating to supervisors.</p>
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Important Matters Concerning the Protection of Shareholders' Equity	Provisions of the Company Act or Securities and Exchange Act	Provisions Contained in the Articles of Incorporation and Reasons for Differences
<p>inspect the business and financial status of the Company, examine relevant accounting reports and documents and request the board of directors or managers to provide relevant reports.</p> <p>5. Supervisors shall audit the various statements and record prepared for submission to a shareholders' meeting by the Board of Directors, and shall make a report of their opinions at the shareholders' meeting.</p> <p>6. In performing their functional duties, supervisors may appoint, on behalf of the company, a CPA and a practicing lawyer to conduct the examination.</p> <p>7. Supervisors may be invited to present opinions in board of directors meetings. In the event that the Board of Directors or directors violate laws, articles of incorporation, or resolutions of shareholders' meetings when performing duties, the supervisors shall notify the Board of Directors or directors to cease such conducts.</p> <p>8. Supervisors may each exercise their supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer, or an employee of the company.</p>		



Zhen Ding Technology Holding Limited

Chairman: Chang-Fang Shen