Stock Code: XXXX

⭘⭘⭘⭘ Corp.

2019 Annual Report

***Notice to readers***

***This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders’ meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.***

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⭘⭘ Annual Report is available at: http://www.⭘⭘⭘.com

Printed on MM DD, 2020

**Spokesperson**

Name: ⭘⭘⭘

**Headquarters, Branches and Plant**

Headquarters

Address:

Tel: 886-2- XXXXXXXX

**⭘⭘ Branch**

Address:

Tel: 886-X- XXXXXXXX

**Plant**

Address:

Tel: 886-X- XXXXXXXX

Title: Vice President

Tel: 886-2-XXXXXXXX

E-mail:

**Deputy Spokesperson**

Name: ⭘⭘⭘

Title: Senior Manager

Tel: 886-2-XXXXXXXX

E-mail:

**Stock Transfer Agent**

⭘⭘⭘

Address:

Tel: 886-2-XXXXXXXX

Website:

**Auditors**

XXX Accounting Firm

Auditors: ⭘⭘⭘, ⭘⭘⭘

Address:

Tel.: 886-2-XXXXXXXX

Website:

**Overseas Securities Exchange**

XXX Stock Exchange

Disclosed information can be found at http://www.xxxx.xx

**Corporate Website**

http://www. ⭘⭘⭘.com

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1. **Letter to Shareholders**

**Dear Shareholders,**

First of all, I would like to thank you for your continuing support throughout the year. ⭘⭘ has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. Total consolidated revenue for 2019 was NT$XXX, a XX% increase compared with NT$XXX in 2018. Net income increased XX% to NT$XXX, compared with 2018 net income of NT$XXX. Similarly, diluted earnings per share was up by XX% to NT$XXX, compared with NT$XXX a year earlier.

The results of our operating performance in 2019, business plan for 2020, corporate development strategy, external competitive environment, regulatory environment, and macroeconomic conditions, are illustrated as follows:

**Operating Performance in 2019**

1. Consolidated financial results

Unit: NT$ millions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2019 | | 2018 | | Percent Change（%） |
| Net sales | XXX | 100% | XXX | 100% | XX% |
| Gross profit | XXX | XX% | XXX | XX% | XX% |
| Operating income | XXX | XX% | XXX | XX% | XX% |
| Pre-tax income | XXX | XX% | XXX | XX% | XX% |
| Net income | XXX | XX% | XXX | XX% | XX% |
| R&D expenses | XXX | XX% | XXX | XX% | XX% |
| Interest income | XXX | XX% | XXX | XX% | XX% |
| Interest expenses | XXX | XX% | XXX | XX% | XX% |

Net sales amounted to NT$XXX million and gross profit came in at NT$XXX million in 2019. Due to improved operating performance and lower costs and operating expenses compared to the year before, net income grew by more than XX% from 2018, an increase of NT$XXX million.

1. Budget implementation

According to the Company’s 2019 annual financial plan, our business successfully reached XX% and XX% of our targets in revenue and net income, respectively.

1. Profitability analysis

|  |  |  |
| --- | --- | --- |
|  | 2019 | 2018 |
| Debt to asset ratio (%) | XXX | XXX |
| Long-term capital to property, plant and equipment (%) | XXX | XXX |
| Current ratio (%) | XXX | XXX |
| Accounts receivable turnover (times) | XXX | XXX |
| Inventory turnover (times) | XXX | XXX |
| Return on assets (%) | XXX | XXX |
| Return on shareholders’ equity (%) | XXX | XXX |
| Basic after-tax EPS (NT$) | XXX | XXX |

1. Research and development status

In 2019, ⭘⭘ invested a total of NT$XX million in R&D for the ⭘⭘ products as well as the development of new products. Having successfully developed ⭘⭘ in 2018, it went into mass production in 2019. ⭘⭘ is committed to investing in long-term growth by delivering continuous innovations.

**Business Plan for 2020**

1. Business objectives

* Reinforce product innovation and R&D to maintain competitive advantage;
* Integrate resources, lower costs, raise business efficiency;
* Diversify into higher-margin and higher-growth businesses.

1. Sales forecast and sales policy

Some market survey institutes predict a 5% to 10% increase in ⭘⭘ products. ⭘⭘ has established full production capacity in ⭘⭘ in recent years, upgraded technology and earned product development certification.

The sales policy is outlined as follows in accordance with the projected sales volume of XXX tons in 2020:

* Maintain and establish an excellent brand image for the benefit of the consumer;
* Reinforce sensitivity and flexibility to sales changes in order to respond to market trends.

**Development Strategy**

The Company’s future performance is still very much dependent on an improvement in global economic growth; however, we will leverage our product portfolio, financial strength, intellectual property, human capital, and customer relationships to improve our operational efficiency. We aim to strike a balance between mid- to long-term product development and short-term market demands. Our plan is to focus resources on high-margin products, and to lower production and operating costs. Our strong portfolio of intellectual property can be leveraged to create a formidable barrier to entry for competitors.

**The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

* 1. External competitive environment

The ⭘⭘ industry is mature in Taiwan. Competition is intense. The diversity and homogeneity of products, controlled distribution channels, imitation of business models, pricing pressures, and quality requirements have all made the competition environment brutal. ⭘⭘ Corporation has responded to the severe competition with excellent R&D and management to fulfill consumers’ demands for variety and to differentiate ourselves from competitors through outstanding quality and a reputable brand image. We are able to negotiate with the owners of distribution channels by offering good quality and popular products; therefore, we will continue to innovate and develop products that are needed by consumers, and become the leading brand in the market.

* 1. Regulatory environment

Governments around the world are constantly adopting new tax, environmental, investment and labor regulations. ⭘⭘ stays up-to-date with changes in laws and regulations in all of our invested areas so appropriate adjustments and allocations can be made to company resources in order to respond to these environmental and legal changes.

* 1. Macroeconomic conditions

With respect to the general business environment, global economic growth remains slow. Consumer confidence continues to be fragile, dampening market demand. By continuing to develop comprehensive product technology and deepening our relationships with our customers, ⭘⭘ hopes to mitigate the adverse effects of the slowdown on overall market demand.

Finally, we will continue to establish more integrated relationships with consumers, customers, and society as a whole, with the aim of achieving higher returns for our shareholders.

Sincerely yours,

Chairman CEO & President

⭘⭘⭘ ⭘⭘⭘

1. **Company Profile**

**2.1 Date of Incorporation**: MM DD, 19XX

**2.2 Company History**

|  |  |
| --- | --- |
| Year | Milestones |
| 19XX | Founded on MM DD, 19XX with NT$XXX capital. |
| XXXX | Started operations on MM DD, 19XX. |
| XXXX | Increased capital to NT$XXX million. |
| XXXX | ⭘⭘⭘ Corporation went public. |
| XXXX | Listed on Taiwan Stock Exchange (Code-XXXX). |
| XXXX | Merged with ⭘⭘⭘ Corporation. |
| XXXX | Acquired 51% of ⭘⭘⭘ Corporation. |
| XXXX | Created a joint venture with ⭘⭘⭘ Corporation. |

1. **Corporate Governance Report**

**3.1 Organization**

**3.1.1 Organizational Chart**



**3.1.2 Major Corporate Functions**

|  |  |
| --- | --- |
| Department | Functions |
| President’s Office | Strategic planning, business planning authorization and supervision |
| Audit Office | To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement. |
| Research & Development Division | Advanced product and technology research and development, intellectual property development and management. |
| Production Dept. | Responsible for product manufacturing and production capacity allocation. |
| Quality Control Dept. | Planning and execution of quality control systems. |
| Sales & Marketing Dept. | Responsible for corporate image planning, maintaining and enhancing external public relations, corporate marketing activities worldwide, and analyzing industry data and trends. It is also in charge of formulating and implementing corporate marketing and product plans. |
| Administration Dept. | Planning and execution of general affairs, factory affairs, and information systems. |
| Human Resource Dept. | Responsible for the planning and execution of human resource management. |
| Finance Dept. | Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services. |

**3.2 Directors, Supervisors and Management Team**

**3.2.1 Directors and Supervisors**

MM DD, 2020

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Nationality/ Place of Incorporation | Name | Gender | Date Elected | Term  (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee  Arrangement | | Experience（Education） | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark(s)  (Note) |
| Shares | ％ | Shares | ％ | Shares | ％ | Shares | ％ | Title | Name | Relation |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Supervisor | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |
| Supervisor | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |  |

Note: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

**Major shareholders of the institutional shareholders**

MM DD, 2020

|  |  |
| --- | --- |
| Name of Institutional Shareholders | Major Shareholders |
| ⭘⭘ Corp. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘ (XX%) |
| ⭘⭘ Co., Ltd. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘ Co., Ltd., ⭘⭘⭘(XX%) |

Note: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

**Major shareholders of the Company’s major institutional shareholders**

MM DD, 2020

|  |  |
| --- | --- |
| Name of Institutional Shareholders | Major Shareholders |
| ⭘⭘ Co., Ltd. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘,⭘⭘⭘,⭘⭘⭘(XX%) |

Note: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

**Professional qualifications and independence analysis of directors and supervisors**

MM DD, 2020

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Criteria  Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria (Note) | | | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
| An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | X |

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.

2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: **not** a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: **not** a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

11. Not been a person of any conditions defined in Article 30 of the Company Law.

12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

**3.2.2 Management Team**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding  by Nominee  Arrangement | | Experience（Education） | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remark(s)  (Note) |
| Shares | ％ | Shares | ％ | Shares | ％ | Title | Name | Relation |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Note: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

**3.2.3 Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents**

**Remuneration of Directors and Independent Directors**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Remuneration from ventures other than subsidiaries or from the parent company  (Note 1) |
| Base Compensation (A) | | Severance Pay (B) | | Directors Compensation(C) | | Allowances (D) | | Salary, Bonuses, and Allowances (E) | | Severance Pay (F) | | Employee Compensation (G) | | | |
| The company | All companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements |
| Cash | Stock | Cash | Stock |
| Director | ⭘⭘ | ⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XX | XX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘ |
| Independent Director | ⭘⭘ | ⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XX | XX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘ |
| ⭘⭘ | ⭘⭘ |
|  | 1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:  2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services,  such as being independent contractors. | | | | | | | | | | | | | | | | | | | | | | |

Unit: NT$ thousands

Note 1: a. Specify the amount of remuneration received by directors from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. Where the Company's directors received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's directors from ventures other than subsidiaries or from the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

Note 2: Separately list information for directors (non-independent directors) and independent directors.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Range of Remuneration | Name of Directors | | | |
| Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements (I) |
| Less thanNT$ 1,000,000 | ⭘⭘⭘ | ⭘⭘⭘ | 0 | 0 |
| NT$1,000,000 ~ NT$1,999,999 | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$2,000,000 ~ NT$3,499,999 | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ |
| NT$3,500,000 ~ NT$4,999,999 | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$5,000,000 ~ NT$9,999,999 | 0 | 0 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$10,000,000 ~ NT$14,999,999 | 0 | 0 | 0 | 0 |
| NT$15,000,000 ~ NT$29,999,999 | 0 | 0 | 0 | 0 |
| NT$30,000,000 ~ NT$49,999,999 | 0 | 0 | 0 | 0 |
| NT$50,000,000 ~ NT$99,999,999 | 0 | 0 | 0 | 0 |
| Greater than or equal to NT$100,000,000 | 0 | 0 | 0 | 0 |
| Total | 5 | 5 | 5 | 5 |

**Remuneration of Supervisors**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Remuneration | | | | | | Ratio of Total Remuneration (A+B+C) to Net Income (%) | | Remuneration from ventures other than subsidiaries or from the parent company  (Note) |
| Base Compensation (A) | | Bonus to Supervisors (B) | | Allowances (C) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |

Note: a. Specify the amount of remuneration received by supervisors from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. Where the Company's supervisors received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's supervisors from ventures other than subsidiaries or from the parent company shall be included in the "D" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the supervisor serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

|  |  |  |
| --- | --- | --- |
| Range of Remuneration | Name of Supervisors | |
| Total of (A+B+C) | |
| The company | Companies in the consolidated  financial statements (D) |
| Less than NT$ 1,000,000 | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ |
| NT$1,000,000 ~ NT$1,999,999 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$2,000,000 ~ NT$3,499,999 | 0 | 0 |
| NT$3,500,000 ~ NT$4,999,999 | 0 | 0 |
| NT$5,000,000 ~ NT$9,999,999 | 0 | 0 |
| NT$10,000,000 ~ NT$14,999,999 | 0 | 0 |
| NT$15,000,000 ~ NT$29,999,999 | 0 | 0 |
| NT$30,000,000 ~ NT$49,999,999 | 0 | 0 |
| NT$50,000,000 ~ NT$99,999,999 | 0 | 0 |
| Greater than or equal to NT$100,000,000 | 0 | 0 |
| Total | 3 | 3 |

**Remuneration of the President and Vice Presidents**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Employee Compensation (D) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Remuneration from ventures other than subsidiaries or from the parent company  (Note) |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements |
| Cash | Stock | Cash | Stock |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ |

Note: a. Specify the amount of remuneration received by the president and vice presidents from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. Where the Company's president and vice president received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's president and vice president from ventures other than subsidiaries or from the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

|  |  |  |
| --- | --- | --- |
| Range of Remuneration | Name of President and Vice Presidents | |
| The company | Companies in the consolidated  financial statements (E) |
| Less than NT$ 1,000,000 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$1,000,000 ~ NT$1,999,999 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$2,000,000 ~ NT$3,499,999 | 0 | 0 |
| NT$3,500,000 ~ NT$4,999,999 | 0 | 0 |
| NT$5,000,000 ~ NT$9,999,999 | 0 | 0 |
| NT$10,000,000 ~ NT$14,999,999 | 0 | 0 |
| NT$15,000,000 ~ NT$29,999,999 | 0 | 0 |
| NT$30,000,000 ~ NT$49,999,999 | 0 | 0 |
| NT$50,000,000 ~ NT$99,999,999 | 0 | 0 |
| Greater than or equal to NT$100,000,000 | 0 | 0 |
| Total | 2 | 2 |

**Managerial officers with the top five highest remuneration amounts in a TWSE/TPEx-listed company (disclose their names and remuneration method) (Note 1)**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Salary(A)  (Note 2) | | Severance Pay (B) | | Bonuses and Allowances (C)  (Note 3) | | Employee Compensation (D)  (Note 4) | | | | Ratio of total compensation (A+B+C+D) to net income (%)  (Note 6) | | Remuneration from ventures other than subsidiaries or from the parent company  (Note 7) |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements  (Note 5) | | The company | Companies in the consolidated financial statements |
| Cash | Stock | Cash | Stock |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XX | XXX | XXX | XXX |

Note 1: Managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in Order Tai-Cai-Zheng-San-Zi No. 0920001301 from the former Securities and Futures Commission, Ministry of Finance dated March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D).

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not calculating as remuneration. The salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock at cash capital increase, shall also be calculated as remuneration.

Note 4: Refers to the amount of employee compensation (including stock and cash) approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year. If the amount of employee compensation cannot be estimated this year, the proposed amount should be calculated based on the actual amount and ratio distributed last year.

Note 5: The total remuneration paid by all companies in the consolidated statements (including the Company) to managerial officers with the top five highest remuneration amounts must be disclosed.

Note 6: The net income after-tax refers to the net income after-tax in the standalone financial statements for the most recent year.

Note 7: a. Specify the amount of remuneration received by managerial officers with the top five remuneration amounts from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by managerial officers with the top five remuneration amounts who are serving as a director, supervisor or manager of ventures other than subsidiaries or of 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.

Unit: NT$ thousands

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | Employee Compensation  - in Stock  (Fair Market Value) | Employee Compensation  - in Cash | Total | Ratio of Total Amount to Net Income (%) |
| Executive Officers | ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XX |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |

**3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents**

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Total remuneration paid to directors, supervisors, president and vice presidents | | Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| 2018 | XXX | XXX | XX％ | XX％ |
| 2019 | XXX | XXX | XX％ | XX％ |

The ratios of remuneration paid to directors, supervisors, president and vice presidents of the Company and the companies in the consolidated financial statements in the last two years, to net income were XX% and XX%, respectively, in 2018 and 2019. The reduction in the compensation percentages of the directors, supervisors, president and vice presidents resulted from the decline in 2019 earnings as compared to 2018.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company’s compensation and benefits policies, plans and programs, and the evaluation of the directors’ and executives’ compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage in Article XX of the Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, 1%~2% shall be taken for employee compensation, and 1% taken for directors’ and supervisors’ compensation, provided that the amount of accumulated loss, if any, be first withheld.” The annual earning distribution status is submitted to the Board of Directors for discussion before being sent to the shareholders’ meeting for resolution.

The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends.

The compensation is measured based on the employee’s personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business.

**3.3 Implementation of Corporate Governance**

**3.3.1 Board of Directors**

**A. Operations of the Board of Directors**

A total of XX (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Chairman | ⭘⭘⭘ | XX | X | XX |  |
| Director | ⭘⭘⭘ | XX | X | XX |  |
| Director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Supervisor | ⭘⭘⭘ | XX | X | XX |  |
| Supervisor | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Other mentionable items:   1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors’ opinions and the company’s response should be specified:   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.  (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.  2. If there are directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None  3. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out “Implementation Status of Board Evaluations.”  4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. | | | | | |

**B. Implementation Status of Board Evaluations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Evaluation cycle  (Note 1) | Evaluation period  (Note 2) | Scope of evaluation  (Note 3) | Evaluation method  (Note 4) | Evaluation items  (Note 5) |
|  |  |  |  |  |

Note 1: Refers to the cycle of Board evaluations, such as: Once a year.

Note 2: Refers to the period covered by the Board evaluation, such as: evaluation of Board performance between January 1, 2019 and December 31, 2019.

Note 3: The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.

Note 4: The evaluation method includes internal self-evaluation by the Board of Directors, self-assessment by directors, peer evaluation, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation.

Note 5: According to the scope of evaluation, evaluation items must at least include the following items:

(1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.

(2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.

(3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

**3.3.2 Audit Committee （or Attendance of Supervisors at Board Meetings）**

**A. Audit Committee**

A total of XX (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Other mentionable items:   1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified:   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act.  (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.  2. If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None  3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)  (1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.  (2)The Company’s CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well. | | | | | |

**B. Attendance of Supervisors at Board Meetings**

A total of XX (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | Attendance Rate (%)  【Ｂ/Ａ】 | Remarks |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Other mentionable items:  1. Composition and responsibilities of supervisors:  (1)Communications between supervisors and the Company's employees and shareholders(e.g. communication channels and methods, etc.): The Company has set up a supervisor’s mailbox: supervisor@⭘⭘⭘.com.tw, so that employees and shareholders have adequate access to the supervisors for communications.  (2)Communications between supervisors and the Company's chief internal auditor and CPA(e.g. items, methods and results of the audits of corporate finance or operations, etc.):  A. Communications with the chief internal auditor: Supervisors hold the supervisors meeting each quarter and maintain minutes of the meetings. The directors, president and the Company's top management are then notified of important discussions and resolutions. All supervisors had attended on each occasion, and the chief internal auditor was also present at the meetings to report on audit operations and major internal auditing matters, including execution, reporting, and monitoring of the supervisors’ instructions. In addition, supervisors obtained audit reports on a monthly basis, which were submitted by the chief internal auditor.  B. Communications with the CPA: Supervisors have held supervisors examination meeting and have obtained the examined reports. There were two such meetings, on MM. DD, 2014 and MM. DD, 2014 respectively. All supervisors attended on each occasion, and the CFO, chief internal auditor and CPAs were also present at the meetings to discuss related subjects, including execution, reporting and monitoring of the supervisors’ instructions.  2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors’ meetings and the company’s response to the supervisor’s opinion should be specified: None | | | | |

**3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”**

| Evaluation Item | Implementation Status 1 | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Illustration |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”? |  |  | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” on  XX/XX/2015. The information has been disclosed on the Company’s website. | None |
| 1. Shareholding structure & shareholders’ rights 2. Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? 3. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? 4. Does the company establish and execute the risk management and firewall system within its conglomerate structure? 5. Does the company establish internal rules against insiders trading with undisclosed information? |  |  | In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.  The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.  Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.  To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations. | None |
| 1. Composition and Responsibilities of the Board of Directors 2. Does the Board develop and implement a diversified policy for the composition of its members? 3. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? 4. Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection? 5. Does the company regularly evaluate the independence of CPAs? |  |  | Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.  In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These functional committees shall be responsibilities for the Board of Directors.  The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board.  1. Self-assessment of Board members  Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end of each year. To evaluate the performance of each members effectively, the questionnaire contains the following factors:  A. Their grasp of the Company's goals and missions;  B. Their recognition of director's duties;  C. Their degree of participation in the Company's operations;  D. Their management of internal relationships and communications;  E. Their professionalism and continuing professional education;  F. Internal controls.  2. Assessment of the Board:  The Secretary Office of the Board conducts the assessment of the Board’s performance. The following aspects are taken into consideration:  A. The degree of participation in the Company's operations;  B. Improvement in the quality of decision making by the Board of Directors;  C. The composition and structure of the Board of Directors;  D. The election of the directors and their continuing professional education.  E. Internal controls.  The Company conducts director self-assessments and peer assessments in the first quarter each year. Assessment results were reported to the Board of Directors in (month/year), and are referenced when determining the remuneration of individual directors and nominations for reelection.  The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. | None |
| 1. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)? |  |  | The company provides the name of the personnel and supervisor responsible for corporate governance matters and describes the role/function of the personnel and supervisor and material matters that have been taken care of in the most recent year. | None |
| 1. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities? |  |  | The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company. | None |
| 1. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? |  |  | The Company designates XXX Inc. to deal with shareholder affairs. | None |
| 1. Information Disclosure 2. Does the company have a corporate website to disclose both financial standings and the status of corporate governance? 3. Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? 4. Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit? |  |  | The Company has set up a Chinese/English website (www.⭘⭘⭘.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.  The Company has assigned an appropriate person to handle information collection and disclosure. Contact person: ⭘⭘⭘, TEL: +886-X-XXX-XXXX  The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.  The Company has reported annual financial statements within two months after the end of each fiscal year and announced them on the company website (www. ⭘⭘⭘.com.tw).  The Company announced and reported its financial statements for Q1, Q2, and Q3 and filed monthly operating status before the deadline. | None |
| 1. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?   (1) Status of employee rights and employee wellness: Please refer to the “*Employees*” section on pages XX-XX of this annual report.  (2) Status of risk management policies and risk evaluation: Please refer to the “*Risk Management*” section on pages XX-XX of this annual report.  (3) The Company has purchased D&O insurance for its directors and supervisors since year 2006.  (4) Directors’ and supervisors’ training records:   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Title | Name | Training hours | Study period | | Sponsoring Organization | Course | | From | To | | Director | ⭘⭘⭘ | 6H | 2019/MM/DD | 2019/MM/DD | Corporate Governance  Association | Corporate Governance and Risk Management | | Director | ⭘⭘⭘ | 6H | 2019/MM/DD | 2019/MM/DD | Taiwan Academy of Banking  and Finance | Board Operations and Corporate Government | | Director | ⭘⭘⭘ | 12H | 2019/MM/DD | 2019/MM/DD | Securities & Futures Institute | Board Directors and Supervisors’ Duty Under Corporate Governance | | | | | |
| 1. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

**3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee**

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company’s compensation and benefits policies, plans and programs, and the evaluation of the directors’ and executives’ compensation.

The Chairman of the Remuneration Committee convened four regular meetings in 2019. The Remuneration Committee Charter is available on the Company’s corporate website.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Criteria  Name | Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years’ Work Experience | | | Independence Criteria (Note) | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member | Remarks |
| An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university | A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |
|  | ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |  |

**A. Professional Qualifications and Independence Analysis of Remuneration Committee Members**

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.

2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

10. Not been a person of any conditions defined in Article 30 of the Company Law.

**B.** **Attendance of Members at Remuneration Committee Meetings**

There are XX members in the Remuneration Committee. A total of XX (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person(B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Convener | ⭘⭘⭘ | XX | X | XX |  |
| Committee  Member | ⭘⭘⭘ | XX | X | XX |  |
| Committee  Member | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Other mentionable items:  1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.  2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None. | | | | | |

**3.3.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"**

| Evaluation Item | Implementation Status 1 | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Explanation 2 |
| 1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? 3 |  |  | The Company integrates and manages the potential risks of all strategies, operations, financial activities, and hazards that may affect its operations and profits. The Company implements enterprise risk management to provide suitable risk management for all stakeholders, and uses a risk map to assess the frequency of risk events and severity of impact on the Company's operations. The priority and level of risks are defined on the basis, and risk management strategies are adopted for each risk level.  The Company's risk management involves the management of strategy risks, operational risks, financial risks, hazard risks, as well as risks associated with climate change and non-compliance with environmental protection and climate-related regulations and other international conventions.  The Company's risk management policies were passed by the Board of Directors in 2018 and serves as the highest guiding principle for the Company's risk management. The Company periodically assesses risks each year, and formulated risk management policies for various risks, covering management objectives, organizational structure, responsibility, and risk management procedures. The policy is implemented to effectively identify, measure, and control the Company's risks, so that risks from business activities are controlled within an acceptable range. | None |
| 1. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? |  |  | Under the hands-on leadership of our company Chairman AAA and first-line managers, we have established the OOO Corporate Social and Environmental Responsibility Committee (CSER Committee) and designated dedicated personnel, striven to internalize CSR as part of OOO employees' DNA, and embraced international standards in an effort to become model international corporate citizens.  The OOO CSER Committee is the group's highest guidance unit; it is chaired by Chairman AAA, and has members comprising executive managers of the OOO Group. The committee is responsible for determining annual CSR economic, environmental, and social involvement goals, regularly supervising implementation, and directing OOO Technology's short-/ mid-/ long-term realization of goals and visions. | None |
| 3. Environmental issues  (1) Does the company  establish proper  environmental  management systems  based on the  characteristics of their  industries? |  |  | Environmental, Safety, and Health (ESH) and Hazardous Substance Management System Certificates  All OOO manufacturing facilities in Taiwan, China, and the United States have received ISO 14001 certifications for environmental management systems, OHSAS 18001 for occupational safety and health, and QC 080000 certification for hazardous substance management systems. New facilities will be certified as well. In line with ISO 14001 and OHSAS 18001’s concept of continuous improvement, OOO diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and the establishment of a safe and comfortable work place. By practising QC 080000 for hazardous substance management, OOO ensures its processes and products comply with the requirements of the Stockholm Convention. OOO continues to identify ESH risks, drafting feasible control measures and carrying them out to reduce ESH and hazardous substance risks.  In 2016, all of the Company’s fabs in Taiwan were certified by the Taiwan Occupational Safety and Health Management System (TOSHMS), which is not only valid for Taiwan but also compatible with global safety and health management systems. | None |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? |  |  | Power-Saving Goal  According to the Company’s operating model, the vast majority of our carbon dioxide emissions come from power use. Because of this, we are actively promoting various energy-saving and power-saving programs. Taking three years as one program period, the aim is to reduce our power usage by roughly XX% by 2021 (taking 2018 as the base year).  Water Saving Goal  Taking 2018 as the base year, the Company aims to reduce water consumption by XX% per unit product by 2021. Facing a changing global environment and increasing water shortages, the need to conserve water is the next most important environmental imperative after energy saving and carbon dioxide reduction. Based on the need to protect water resources and maintain sustainable operations, planning a water-saving program has already been initiated. By improving processes, conserving water, and using water, active steps have been taken to reduce waste water from our production processes. Our water-saving programs cover a three-year period. Based on water consumption per unit product in 2018, the plan is to reduce water consumption by at least XX% per unit product by 2021.  Wastewater and Rainwater Reuse  (a) The Company’s Thai plant has a waste water treatment system, and employs activated carbon to recycle waste water. Using an estimated flow value (10m³/hr), the plant can recycle an average of XXX m³ per year.  (b) A rain water has been installed at the Company’s headquarters building. Rainwater is used for landscaping plants.  (c) We rely on a clear-cut process and design for making manufacturing improvements that integrate and implement waste reduction and resource recycling. Compared with 2018, in 2019 the Company’s general industrial waste fell by XX%, hazardous industrial waste was reduced by XX%, and recyclable waste output rose by XX%. Meanwhile, the process solder dross output fell by XX%. | None |
| 1. Does the company   evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? |  |  | Extreme weather and natural disasters are the number one risk according to the Global Risk Report 2019 published by the World Economic Forum (WEF). To respond to the impact of climate change on business operations and disclose information on climate change, the Company periodically reports to the Board of Directors and Risk Management Committee, so that the Board of Directors and senior executives will understand the impact of climate change on the Company. Furthermore, the Company's departments in 2019 began to review their business operations and identify risks associated with climate change, and analyzed the direct and indirect impacts of extreme weather, the effects of changes in laws, technologies, and market demand, and the risks and opportunities brought by the Company's business activities in cultural and social aspects. The Company formulates risk management strategies and plans based on analysis results, which are the core of its actions in response to climate change, and it estimates management costs and the financial impact on this basis. The data collected above is used to strengthen the Company's climate change governance, and financial impacts are systematically assessed to reduce risks and seize business opportunities. | None |
| (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management? |  |  | CO2 Emission Reduction Goal  In keeping with global environmental trends, the Company is responding to calls for the reduction of greenhouse gas emissions and upholding the emissions reduction goals set for industrialized countries in the Kyoto Protocol by adopting target management and holding ourselves to high standards. Taking 2018 as the base year, OOO will continue with its energy saving campaign until the goal of reducing energy consumption and CO2 emissions by XX% in 2021 is reached.  We have begun systematically performing greenhouse gas inventories in line with the International Standards Organization's (ISO's) greenhouse gas control guide lines and expected future greenhouse gas reduction requirements. Internal documentation and verification procedures have also been established that will enable the implementation of effective reduction programs in the future.  The ISO-14064 standard is used to perform regular annual greenhouse gas emission inventories, and reproduce greenhouse gas reports containing summaries of the Company’s greenhouse gas emissions for the previous year. In 2012, we issued our first greenhouse gas report (for 2011). The most recent report was for2020, and contained inventories of XX operating locations or factories.  Our greenhouse gas emissions for 2018 totaled XXX tons, and total water consumption totaled 0000 thousand tons; waste generated totaled 0000 tons. Our CO2 emissions was approximately 0000 tons in 2019; water consumption totaled 0000 thousand tons; waste generated totaled 0000 tons.  The Company passed the ISO14064-1 (greenhouse gas inventory) certification issued by SGS Taiwan in June 2015, and received a verification statement with a reasonable grade. Our inventory results are posted on our company website and on the Industrial Development Bureau's greenhouse gas information center website. Furthermore, since 2013 the Company has participated in the Carbon Disclosure Project at our customers' invitation . Greenhouse gas data for the previous year is posted on the project website; this information can be used by all relevant stakeholder groups.  Energy conservation and carbon dioxide reduction management policy:  The Company's quantified management goals for energy conservation and carbon dioxide reduction: Reduce carbon intensity in 2025 by 56.6% compared to 2014.  Water management policy:  The stability of water supply has become an issue faced by countries around the world due to climate change. To fulfill our CSR and respond to the issue of global water shortage, the Company set 2018 as the baseline year and aims to lower overall water consumption intensity (total water consumption/NT$1 million of output value) by 30% before 2025, taking action to jointly face the challenges of climate change together with companies worldwide. | None |
| 4. Social issues  (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? |  |  | Comply with Relevant Regulations  OOO not only complies with local regulations but also upholds the internationally-recognized human rights of workers and respects the United Nations Universal Declaration on Human Rights, and the International Labor Organization’s fundamental conventions on core labor standards. OOO hires all employees equally based on his or her job qualifications regardless of gender, religion, race, nationality or political affiliation.  Human Resource Policies and Measures  The following is an overview of relevant human resource policies and measures:  (a)Labor Insurance, National Health Insurance, and group insurance coverage from the first day of work.  (b) The Company has specific Employee Retirement Guidelines. In February 1998, we established a Labor Pension Supervision Committee approved by the Taipei City Government. Since May 1998, we have been allocating a retirement pension equivalent to 2% of employees’ monthly salaries on a monthly basis. In 2005, the new Labor Pension Act came into force. Consequently, OOO now deposits 6% of each employee's monthly salary into a dedicated account at the Labor Insurance Bureau. When employees reach the age of 60, they may collect their pension from their personal retirement fund account. | None |
| (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? |  |  | Employee welfare:  The Company provides an employee cafeteria, café, convenience store, fitness room, lounge, and parking lot to all employees, and also offers flexible work hours for employees to adjust their work hours based on their situation. Employees can also take a free shuttle bus for commuting to work.  Business performance reflects on employee bonuses:  The Company is required to allocate no less than 000 percent of profits as employee bonuses each year. | None |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? |  |  | Labor Health and Safety Committee  We have established a Labor Health and Safety Committee consisting of the heads of relevant company units and at least one-third labor representatives. Our Labor Health and Safety Committee meets every three months to review our employee health and safety rules and regulations, and to discuss self-inspection implementation, the work group’s reports, and various health and safety matters. Committee members may submit interim proposals concerning health and safety, and the committee follows up on improvement measures.  Health and Safety Education and Emergency Response Training  We also hold regular fire/flood protection exercise and first aid training classes for our employees in order to boost our disaster response and relief skills. In 2019 for example, our plants organized occupational health and safety training, emergency response and firefighting training, and external specialist training for new and current employees. Over XXX people took part in nearly XXX man-hours of training to ensure personnel safety and reduce the impact of accidents.  Safety and Health Management  OOO not only conforms to regulatory requirements on safety and health but has also introduced the OHSAS 18001 occupational safety & health management system. | None |
| (4) Does the company provide its employees with career development and training sessions? |  |  | OOO Group not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs. | None |
| (5)Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented? |  |  | Customer Service Department  Establishment of the Customer Service Department allows us to integrate existing customer service resources to respond to and match customers’ various demands in a timely and precise manner and improve customer satisfaction through assurance of service quality. A free 24-hour service hotline accepts product queries, service consulting, and complaints from customers.  Online Service Platform  We have now developed an online customer service platform that uses the Internet for prompt interaction and exchange of information with our customers. The platform can be integrated with the customers’ own network to provide information on the entire supply chain, including order status, shipping date, design integration and engineering details.  Customer Protection  We respect and protect all technology, techniques, documents and information provided by our customers, while requiring all of our employees and suppliers to abide by the relevant confidentiality agreements. We also have security controls in place to ensure the safety of the Company’s and our customers’ confidential information. | None |
| (6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results. |  |  | To ensure the safety of work environments in the Company's supply chain and that business operations are eco-friendly and ethical, the Company has established a Supplier Code of Conduct and requires suppliers to comply with the code and the following matters.  Human rights of laborers:  The Company prohibits the use laborers of who are forced or bound by guarantee (including debt) or contract, laborers who are not working voluntarily, are being exploited, or imprisoned, or laborers enslaved or were trafficked.  Occupational health and safety:  The Company provides employees with suitable, well maintained personal protective equipment and teaching materials on hazardous incidents and related risks.  Environmental protection:  The Company is required to obtain all necessary environment related permits (such as emission monitoring), approval, and registration documents, and must maintain and update the documents. The Company must abide by operations specified in the permit and reporting requirements. | None |
| 5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit? |  |  | The British Standard Institution (BSI) reviewed our CSR report against the AccountAbility AA 1000 Assurance Standard and the GRI Standards on materiality, inclusivity and responsiveness. | None |
| 6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies: | | | | |
| 7. Other useful information for explaining the status of corporate social responsibility practices:  Environmental Protection  Promoting environmental protection: Caring for the Earth. We are working to promote ecological sustainability. The Tree Valley Park will serve as an example of green development through programs such as the Tree Valley Park 100,000 Seedling Plan. OOO will also support related green activities carried out by the Tree Valley Culture Foundation.  Social Contributions  Since 2008, OOO has sponsored OO University with the OOO Scholarship. The scholarship was established to honor the spirit of OOO, who believed in cultivating top university students’ interest in academic research and cross-strait academic exchanges. Each year, XX outstanding OO University sophomores and juniors receive a NT$XXX scholarship and an opportunity to attend a 2-month-long research seminar in China.  Charitable Donations  Since its inception in 1997, OOO has been committed to helping government and non-profit disaster relief efforts, including donations made to the September 21st Earthquake in 1999 and the SARS Medical Team of the Hsinchu General Hospital in 2003. Employees also initiated donations for the International Red Cross in response to the 2008 Sichuan Earthquake. With matching funds from the OO foundation, total donations reached NT$XXX.  Helping Disadvantaged Minorities  During periods of economic slowdowns, OOO has carried out its corporate social responsibility mandate by helping disadvantaged groups. In 2019, XXX employees volunteered a total of XXX hours at charities and programs to help disadvantaged minorities. | | | | |

Note: 1. If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.

1. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.
2. The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

**3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"**

| Evaluation Item | Implementation Status 1 | | | Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Illustration |
| 1. Establishment of ethical corporate management policies and programs    1. Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?    2. Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?    3. Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments? |  |  | The Board of Directors passed the Company's Ethical Corporate Management Best-Practice Principles on December 31, 2017. The Principles is a guideline to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the company website. The Board of Directors and senior management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.  The Company conducts quarterly evaluations of operating activities with relatively high risk of unethical conduct. The Company’s Ethical Corporate Management Best-Practice Principles have established preventive measures against the following:   1. Offering and acceptance of bribes; 2. illegal political donations; 3. improper charitable donations or sponsorship; 4. offering or acceptance of unreasonable presents 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.   The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline.  In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict of interest. Key employees and senior officers must periodically declare their compliance status with the Principle. OOO requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or provide unethical conduct when dealing with the Company or our officers and employees. Internal and external online hotlines have been established for any relevant persons to use in reporting any ethical irregularities for personal investigation by a designated senior management of OOO. The Company reviews and revises the principle each year. | None |
| 1. Fulfill operations integrity policy    1. Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?    2. Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?    3. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?    4. Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?    5. Does the company regularly hold internal and external educational trainings on operational integrity? |  |  | The Company holds annual business meetings, conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.  The Company established the “Corporate Integrity Team” on XX/XX/2015 under the Board’s supervision and submits quarterly reports to the Board of Directors.  The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.  The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to the risk evaluation results, the Company will compiles them into an audit report.  The Company carries out regular training for employees every quarter. For new employees, training on ethical rules, conflicts of interest, business morals, and all other related subjects are carried out during their first week of work. All employees are required to receive integrity training for at least two hours each year. | None |
| 1. Operation of the integrity channel    1. 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?    2. Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?    3. Does the company provide proper whistleblower protection? |  |  | The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company’s regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well.  The Company has in place SOPs authorized by the Board which could be applied on any confidential investigations and follow-up actions on such cases after completing investigation.  The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated hotline for whistleblower protection whether first-line managers and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints. | None |
| 1. Strengthening information disclosure    1. Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS? |  |  | The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS. | None |
| 1. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.   There have been no differences. | | | | |
| 1. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).    * 1. To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEx-Listed Companies, and other laws and decrees concerning business transactions.      2. The Company has set up the "Management Procedures for Preventing Insider Trading", which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.      3. For more detailed information, please refer to the Company’s official website: http://www.xxxxxx.com/xxxxxx.html. | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

**3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company’s website at www. ⭘⭘⭘.com

**3.3.8 Other Important Information Regarding Corporate Governance**

None.

**3.3.9 Internal Control Systems**

**A. Disclosures Required for the Implementation of the Internal Control System**

Please refer to page XX of the Chinese annual report.

**B. Penal Provisions**

If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

**3.3.10 Major Resolutions of Shareholders’ Meeting and Board Meetings**

|  |  |  |
| --- | --- | --- |
| Item | Date | Major resolutions |
| Board meeting | MM, DD, 2019 | 1. Approval of the 2018 business report and financial statements. 2. Approval of the distribution of 2018 retained earnings and employee profit sharing. 3. Approval of the Year 2018 business plan and financial budget. |
| Shareholders’ meeting | MM, DD, 2019 | 1. Approval of the 2018 business report and financial statements. 2. Approval of the distribution of 2018 retained earnings and employee profit sharing.   3. Approval of amendment to the Articles of Incorporation. |
| Board meeting | MM, DD, 2019 | 1. Approval of purchasing up to NT$XXX billion of the Company’s common shares from the open market. 2. Approval of 2019 semi-annual financial statement. 3. Approval of the promotion of Mr. ⭘⭘⭘ to the position of Vice President of ⭘⭘⭘. |
| Board meeting | MM, DD, 2020 | 1. Approval of the 2019 business report and financial statements. 2. Approval of the distribution of 2019 retained earnings and employee compensation. 3. Approval of the Year 2020 business plan and financial budget. 4. Appointment of Mr. ⭘⭘⭘ as the head of Internal Auditing. |

**3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors**

None

**3.3.12 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D**

MM, DD, 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title | Name | Date of Appointment | Date of Termination | Reasons for Resignation or Dismissal |
| President | ⭘⭘⭘ | MM, DD, 201X | MM, DD, 2022 | Retirement |
| Chief Internal Auditor | ⭘⭘⭘ | MM, DD, 201X | MM, DD, 2022 | Promoted to position of vice president of ⭘⭘⭘ |
| Corporate Governance Officer | ⭘⭘⭘ | MM, DD, 201X | MM, DD, 2021 | Retirement |

**3.4 Information Regarding the Company’s Audit Fee and Independence**

**3.4.1 Audit Fee**

|  |  |  |  |
| --- | --- | --- | --- |
| Accounting Firm | Name of CPA | Period Covered by CPA’s Audit | Remarks |
| ⭘ & ⭘ | ⭘⭘⭘ | 2019.01.01~2019.12.31 |  |
|  |  |  |

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fee Items  Fee Range | | Audit Fee | Non-audit Fee | Total |
| 1 | Under NT$ 2,000,000 |  |  |  |
| 2 | NT$2,000,001 ~ NT$4,000,000 |  | 🗸 |  |
| 3 | NT$4,000,001 ~ NT$6,000,000 |  |  |  |
| 4 | NT$6,000,001 ~ NT$8,000,000 | 🗸 |  | 🗸 |
| 5 | NT$8,000,001 ~ NT$10,000,000 |  |  |  |
| 6 | Over NT$100,000,000 |  |  |  |

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounting Firm | Name of CPA | Audit Fee | Non-audit Fee | | | | | Period Covered by CPA’s Audit | Remarks |
| System of Design | Company Registration | Human Resource | Others | Subtotal |
| ⭘ & ⭘ | ⭘⭘⭘ | X,XXX | - | XXX | - | XXX | XXX |  |  |
| ⭘⭘⭘ |  |

**3.4.2 Replacement of CPA**

**A. Regarding the former CPA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Replacement Date | January 1, 2020 | | | | |
| Replacement reasons and explanations | The original CPAs of the Company were ⭘⭘⭘ (CPA A) and ⭘⭘⭘ (CPA B) from ⭘⭘⭘ firm. Due to internal restructuring at ⭘⭘⭘ firm , the CPAs of the Company were changed to ⭘⭘⭘ (CPA C) and ⭘⭘⭘ (CPA D), beginning January 1, 2020. | | | | |
| Describe whether the Company terminated or the CPA did not accept the appointment | Parties  Status | | | CPA | The Company |
| Termination of appointment | | | - | - |
| No longer accepted (continued) appointment | | | - | - |
| Other issues (except for unqualified issues) in the audit reports within the last two years | None | | | | |
| Differences with the company | Yes | - | Accounting principles or practices | | |
| - | Disclosure of Financial Statements | | |
| - | Audit scope or steps | | |
| - | Others | | |
| None | 🗸 | | | |
| Remarks/specify details: | | | | |
| Other Revealed Matters | None | | | | |

**B. Regarding the successor CPA**

|  |  |
| --- | --- |
| Name of accounting firm | ⭘⭘⭘ |
| Name of CPA | ⭘⭘⭘ and ⭘⭘⭘ |
| Date of appointment | April 11, 2020 |
| Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement. | None |
| Succeeding CPA’s written opinion of disagreement toward the former CPA | None |

**3.4.3 Audit Independence**

The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company’s independent auditing firm or its affiliates during 2019.

**3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders**

Unit: Shares

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | 2019 | | As of Apr. 30, 2020 | |
| Holding  Increase  (Decrease) | Pledged  Holding  Increase  (Decrease) | Holding  Increase  (Decrease) | Pledged  Holding  Increase  (Decrease) |
| Director | ⭘⭘⭘ | XXX | XXX | XXX | XXX |
|  |  |  |  |  |  |

**3.5.1 Shares Trading with Related Parties**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name | Reason for Transfer | Date of Transaction | Transferee | Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders | Shares | Transaction Price (NT$) |
|  |  |  |  |  |  |  |

**3.5.2 Shares Pledge with Related Parties**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Reason for Pledge | Date of Transaction | Transferee | Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders | Shares | Shares holding  % | Shares Pledged  % | Pledged Amount |
|  |  |  |  |  |  |  |  |  |

**3.6 Relationship among the Top Ten Shareholders**

As of 12/31/2019

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Current Shareholding | | Spouse’s/minor’s  Shareholding | | Shareholding  by Nominee  Arrangement | | Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | Remarks |
| Shares | % | Shares | % | Shares | % | Name | Relationship |
| ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | ○○○ | ○○○ |  |
|  |  |  |  |  |  |  |  |  |  |

**3.7 Ownership of Shares in Affiliated Enterprises**

Unit: shares/ %

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Affiliated  Enterprises | Ownership by the Company | | Direct or Indirect Ownership by Directors/Supervisors/Managers | | Total Ownership | |
| Shares | % | Shares | % | Shares | % |
|  | XXX | XXX | XXX | XXX | XXX | XXX |

**IV. Capital Overview**

**4.1 Capital and Shares**

**4.1.1 Source of Capital**

A. Issued Shares

As of 04/30/2020

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Month/  Year | Par  Value  (NT$) | Authorized Capital | | Paid-in Capital | | Remark | | |
| Shares | Amount  (NT$ thousands) | Shares | Amount  (NT$ thousands) | Sources of Capital | Capital  Increased by  Assets Other  than Cash | Other |
|  |  |  |  |  |  |  |  |  |

B. Type of Stock

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Share Type | Authorized Capital | | | Remarks |
| Issued Shares | Un-issued Shares | Total Shares |
|  |  |  |  |  |
|  |  |  |  |  |

C. Information for Shelf Registration

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Securities  Type | Preparing to Issue Amount | | Issued Amount | | Purpose and Effect for Issued Shares | Issue Period for Unissued Shares | Remarks |
| Total Shares | Authorized  Amount  (NT$ thousands) | Shares | Price (NT$) |
|  |  |  |  |  |  |  |  |

**4.1.2 Status of Shareholders**

As of 12/31/2019

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
| Number of Shareholders |  |  |  |  |  |  |
| Shareholding (shares) |  |  |  |  |  |  |
| Percentage |  |  |  |  |  |  |

**4.1.3 Shareholding Distribution Status**

A. Common Shares

As of 12/31/2019

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
| --- | --- | --- | --- |
| 1 ~ 999 |  |  |  |
| 1,000 ~ 5,000 |  |  |  |
| 5,001 ~ 10,000 |  |  |  |
| 10,001 ~ 15,000 |  |  |  |
| 15,001 ~ 20,000 |  |  |  |
| 20,001 ~ 30,000 |  |  |  |
| 30,001 ~ 50,000 |  |  |  |
| 50,001 ~ 100,000 |  |  |  |
| 100,001 ~ 200,000 |  |  |  |
| 200,001 ~ 400,000 |  |  |  |
| 400,001 ~ 600,000 |  |  |  |
| 600,001 ~ 800,000 |  |  |  |
| 800,001 ~ 1,000,000 |  |  |  |
| 1,000,001 or over |  |  |  |
| Total |  |  |  |

B. Preferred Shares

As of 12/31/2019

|  |  |  |  |
| --- | --- | --- | --- |
| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|  |  |  |  |

**4.1.4 List of Major Shareholders**

As of 12/31/2019

|  |  |  |
| --- | --- | --- |
| Shareholder's Name | Shareholding | |
| Shares | Percentage |
|  |  |  |

Note: List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

**4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share**

Unit: NT$

| Items | 2018 | 2019 | 01/01/2020-03/31/2020 |
| --- | --- | --- | --- |
| **Market Price per Share** | | | |
| Highest Market Price | XXX | XXX | XXX |
| Lowest Market Price | XXX | XXX | XXX |
| Average Market Price | XXX | XXX | XXX |
| **Net Worth per Share** | | | |
| Before Distribution | XXX | XXX | XXX |
| After Distribution | XXX | XXX | XXX |
| **Earnings per Share** | | | |
| Weighted Average Shares  (thousand shares) | XXX | XXX | XXX |
| Diluted Earnings Per Share | XXX | XXX | XXX |
| Adjusted Diluted Earnings Per Share | XXX | XXX | XXX |
| **Dividends per Share** | | | |
| Cash Dividends | XXX | XXX | XXX |
| Stock Dividends | | | |
| * Dividends from Retained Earnings | XXX | XXX | XXX |
| * Dividends from Capital Surplus | XXX | XXX | XXX |
| Accumulated Undistributed Dividends | XXX | XXX | XXX |
| **Return on Investment** | | | |
| Price / Earnings Ratio (Note 1) | XXX | XXX | XXX |
| Price / Dividend Ratio (Note 2) | XXX | XXX | XXX |
| Cash Dividend Yield Rate (Note 3) | XXX | XXX | XXX |

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

**4.1.6 Dividend Policy and Implementation Status**

**A. Dividend Policy**

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual shareholders’ meeting.

**B. Proposed Distribution of Dividend**

The proposal for the distribution of 2019 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT$ XXX per share and a stock dividend of NT$ XXX per share will be discussed at the annual shareholders’ meeting.

**4.1.7 Compensation of Employees, Directors and Supervisors**

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

Article XX of the Articles of Incorporation stipulates that: "From the profit earned by the Company as shown through the annual account closing, 1%~2% shall be taken for employee compensation, and 1% taken for directors’ and supervisors’ compensation, provided that the amount of accumulated loss, if any, be first withheld.”

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

C. Distribution of Compensation of Employees, Directors and Supervisors for 2019 Approved in the Board of Directors Meeting

(1) Recommended Distribution of Compensation of Employees, Directors and Supervisors:

(NT$ thousands)

|  |  |
| --- | --- |
| Employee Compensation – in Cash | $ XXX |
| Employee Compensation – in Stock | XXX |
| Directors' and Supervisors' Compensation | XXX |
| Total | $ XXX |

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation.

D. Information of 2018 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

|  |  |
| --- | --- |
|  |  |
| The Number of Shares | XXX |
| Stock Price | $ XXX |
| Directors' and Supervisors' Compensation-in Stock(NT$ thousands) | $ XXX |
| Employee Compensation-in Stock(NT$ thousands) | $ XXX |
| Employee Compensation – in Cash (NT$ thousands) | $ XXX |
| Directors' and Supervisors' Compensation – in Cash (NT$ thousands) | XXX |
| Directors' and Supervisors' Compensation | XXX |
| Total | $ XXX |

The above-mentioned actual distribution of compensation of employees, directors and supervisors was in line with the resolution of the Board of Directors.

**4.1.8 Buy-back of Treasury Stock**

A. Repurchases already completed

As of 04/30/2020

|  |  |  |
| --- | --- | --- |
| Treasury stocks: Batch Order | XXXth Batch | XXXth Batch |
| Purpose of buy-back |  |  |
| Timeframe of buy-back |  |  |
| Price range |  |  |
| Class, quantity of shares repurchased |  |  |
| Value of shares repurchased (in NT$ thousands) |  |  |
| Quantity of repurchased shares as a percentage of total shares to be repurchased (%) |  |  |
| Shares sold/transferred |  |  |
| Accumulated number of company shares held |  |  |
| Percentage of total company shares held (%) |  |  |

B. Any repurchase still in progress

As of 04/30/2020

|  |  |  |
| --- | --- | --- |
| Treasury stocks: Batch Order | XXXth Batch | XXXth Batch |
| Purpose of buy-back |  |  |
| Type of shares repurchased |  |  |
| Limit on the total value of shares repurchased |  |  |
| Period for share repurchase |  |  |
| Quantity of shares to be repurchased |  |  |
| Price range |  |  |
| Class, quantity of shares repurchased |  |  |
| Value of shares repurchased (in NT$ thousands) |  |  |
| Quantity of repurchased shares as a percentage of total shares to be repurchased (%) |  |  |

**4.2 Bonds**

**4.2.1 Corporate Bonds**

|  |  |  |  |
| --- | --- | --- | --- |
| Corporate Bond Type | | 2020 Unsecured Corporate Bonds, Phase I | 2020 Secured Corporate Bonds, Phase I |
| Issue date | | January 1, 2020 | January 1, 2020 |
| Denomination | | NT$10,000,000 | NT$10,000,000 |
| Issuing and transaction location | | Market (listed) | Market (listed) |
| Issue price | | Issue by denomination | Issue by denomination |
| Total price | | NT$2,000,000,000 | NT$2,000,000,000 |
| Coupon rate | | O.OO% | O.OO% |
| Tenor | | 7 years  Maturity: January 1, 2027 | 7 years  Maturity: January 1, 2027 |
| Guarantee agency | | None | None |
| Consignee | | XXX Bank | XXX Bank |
| Underwriting institution | | None | None |
| Certified lawyer | | None | None |
| CPA | | None | None |
| Repayment method | | Repayment in lump sum upon maturity | Repayment of 50% of the principal in the sixth year and the remaining 50% in the seventh year |
| Outstanding principal | | NT$2,000,000,000 | NT$2,000,000,000 |
| Terms of redemption or advance repayment | | None | None |
| Restrictive clause | | None | None |
| Name of credit rating agency, rating date, rating of corporate bonds | | Rating agency:  XXX Co., Ltd.  Rating date:  December 1, 2019  Credit rating: twAAA | Rating agency:  XXX Co., Ltd.  Rating date:  December 1, 2019  Credit rating: twAAA |
| Other rights attached | As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities | N/A | N/A |
| Issuance and conversion (exchange or subscription) method | None | None |
| Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders’ equity | | None | None |
| Transfer agent | | None | None |

**4.2.2 Convertible Bonds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Corporate bond type | | 3rd Unsecured Convertible Corporate Bond | | |
| Year  Item | | 2018 | 2019 | As of the printing date of this annual report |
| Market price of the convertible bond | Highest | XXX.XX | XXX.XX | XXX.XX |
| Lowest | XXX.XX | XXX.XX | XXX.XX |
| Average | XXX.XX | XXX.XX | XXX.XX |
| Convertible Price | | NT$XX.X | NT$XX.X | NT$XX.X |
| Issue date and conversion price at issuance | | Issue Date: 2018/1/1  Conversion price at issuance: NT$XX.X/share | | Issue Date: 2018/1/1  Conversion price at issuance: NT$XX.X/share |
| Conversion methods | | Issuing of new stocks | | Issuing of new stocks |

**4.2.3 Exchangeable Bonds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Corporate bond type | | 3rd Unsecured Convertible Corporate Bond | | |
| Year  Item | | 2018 | 2019 | As of the printing date of this annual report |
| Amount of holding target | | XX | XX | XX |
| Exchangeable price | | NT$XX.X | NT$XX.X | NT$XX.X |
| Market price of the exchangeable bond | Highest | XXX.XX | XXX.XX | XXX.XX |
| Lowest | XXX.XX | XXX.XX | XXX.XX |
| Average | XXX.XX | XXX.XX | XXX.XX |
| Issue date | | 2018/1/1 | | |
| Exchangeable target | | XXX | | |

**4.2.4 Shelf Registration for Issuing Bonds**

|  |  |
| --- | --- |
| Expected to raise and total amount of issuance |  |
| Total amount issued |  |
| Total amount remaining |  |
| Expected issue date for remaining |  |

**4.2.5 Corporate Bonds with Warrants**

|  |  |  |
| --- | --- | --- |
| Types of bonds with warrants | Corporate bonds with warrants, Phase I | Corporate bonds with warrants, Phase I |
| Issue date |  |  |
| Type and amount when executing |  |  |
| Expiry date |  |  |
| Methods of executing |  |  |
| Exercise price |  |  |
| Terms of restricted executing |  |  |
| Unexecuted warrants balance |  |  |
| Ratio of unexecuted warrants to outstanding shares |  |  |

**4.3 Global Depository Receipts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issue date  Item | | | January 1, 2019 | January 1, 2020 |
| Issuance and listing | | | NYSE | NYSE |
| Total amount | | | US$X,XXX,XXX | US$X,XXX,XXX |
| Unit issuing price | | | US$XX.XX | US$XX.XX |
| Units issued | | | X,XXX,XXX | X,XXX,XXX |
| Source of negotiable securities | | | The Company’s common shares held by the original shareholders | The Company’s common shares held by the original shareholders |
| Amount of negotiable securities | | | XX,XXX,XXX | XX,XXX,XXX |
| Rights and obligations of GDR holders | | | Same as those of common share holders | Same as those of common share holders |
| Trustee | | | None | None |
| Depository bank | | | OOO bank | OOO bank |
| Custodian bank | | | OOO bank | OOO bank |
| Outstanding balance | | | X,XXX,XXX | X,XXX,XXX |
| Treatment of expenses incurred at issuance and thereafter | | | Issue cost: amortized by the issuing companies and shareholder participants according to the actual shares issued Expenses incurred after issuance: amortized by the issuing company | |
| Important conventions about depository and escrow agreement | | | The depositary institution performs the obligations for GDR holders, while the guarantee agency holds the GDR common shares. | |
| Market price per unit | 20XX | Highest | x.xx | x.xx |
| Lowest | x.xx | x.xx |
| Average | x.xx | x.xx |
| Current year to 20XX/XX/XX | Highest | x.xx | x.xx |
| Lowest | x.xx | x.xx |
| Average | x.xx | x.xx |

**4.4 Employee Stock Options**

**4.4.1 Issuance of Employee Stock Options**

|  |  |  |
| --- | --- | --- |
| Type of Stock Option | XXXth Tranche | XXXth Tranche |
| Approval date |  |  |
| Issue date |  |  |
| Units issued |  |  |
| Shares of stock options to be issued as a percentage of outstanding shares |  |  |
| Duration |  |  |
| Conversion measures |  |  |
| Conditional conversion periods and percentages |  |  |
| Converted shares |  |  |
| Exercised amount |  |  |
| Number of shares yet to be converted |  |  |
| Adjusted exercise price for those who have yet to exercise their rights |  |  |
| Unexercised shares as a percentage of total issued shares |  |  |
| Impact on possible dilution of shareholdings |  |  |

**4.4.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options**

As of 04/30/2020

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | No. of Stock Options | Stock Options as a  Percentage of Shares Issued | Exercised | | | | Unexercised | | | |
| No. of Shares Converted | Strike Price  (NT$) | Amount  (NT$ thousands) | Converted Shares as a Percentage of Shares Issued | No. of Shares Converted | Strike Price  (NT$) | Amount  (NT$ thousands) | Converted Shares as a Percentage of Shares Issued |
| Executive officers |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Employees |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**4.4.3 Issuance of New Restricted Employee Shares**

As of 04/30/2020

|  |  |  |
| --- | --- | --- |
| Type of New Restricted Employee Shares | XXXth Tranche | XXXth Tranche |
| Date of Effective Registration |  |  |
| Issue date |  |  |
| Number of New Restricted Employee Shares Issued |  |  |
| Issued Price (NT$) |  |  |
| New Restricted Employee Shares as a Percentage of Shares Issued |  |  |
| Vesting Conditions of New Restricted Employee Shares |  |  |
| Restricted Rights of New Restricted Employee Shares |  |  |
| Custody Status of New Restricted Employee Shares |  |  |
| Measures to be Taken When Vesting Conditions are not Met |  |  |
| Number of New Restricted Employee Shares that have been Redeemed or Bought Back |  |  |
| Number of Released New Restricted Employee Shares |  |  |
| Number of Unreleased New Restricted Shares |  |  |
| Ratio of Unreleased New Restricted Shares to Total Issued Shares (%) |  |  |
| Impact on possible dilution of shareholdings |  |  |

**4.4.4 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | No. of New Restricted Shares | New Restricted Shares as a  Percentage of Shares Issued | Released | | | | Unreleased | | | |
| No. of Shares | Issued Price  (NT$) | Amount  (NT$ thousands) | Released Restricted Shares as a Percentage of Shares Issued | No. of Shares | Strike Price  (NT$) | Amount  (NT$ thousands) | Unreleased Restricted Shares as a Percentage of Shares Issued |
| Executive officers |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Employees |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

As of 04/30/2020

**4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

|  |  |  |  |
| --- | --- | --- | --- |
| Company Name | |  |  |
| Company address | |  |  |
| Chairman | |  |  |
| Paid-in capital | |  |  |
| Main business | |  |  |
| Major product | |  |  |
| Financial  data of the  latest year | Total assets |  |  |
| Total liabilities |  |  |
| Total shareholders' equity |  |  |
| Operating revenue |  |  |
| Gross profit |  |  |
| Operating income (loss) |  |  |
| Net income (loss) |  |  |
| Earnings per share |  |  |

**4.6 Financing Plans and Implementation**

Please refer to page XX of the Chinese annual report.

**4.6.1 Finance Plans**

A. For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits.

B. Source of funds

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issuance | Issue Date | Tenor | Outstanding | Expansion Plan |
|  |  |  |  |  |

**4.6.2 Implementation**

Capital received from previously-issued corporate bonds has been fully executed according to the required procedures.

**V. Operational Highlights**

**5.1 Business Activities**

**5.1.1 Business Scope**

A. Main areas of business operations

B. Revenue distribution

Unit；NT$ thousands

|  |  |  |
| --- | --- | --- |
| Major Divisions | Total Sales in Year 2019 | (%) of Total Sales |
|  |  |  |

C. Main products

D. New products development

XXX new products were launched in 2019. Sales of new products in XXX years accounted for XXX of ○○○. Over the years, we have successfully created many innovative, breakthrough and market-leading products.

**5.1.2 Industry Overview**

Please refer to page XX of the Chinese annual report.

A. Macroeconomic Environment

B. Current Status and Future Development of ○○○

C. Relationship with Up-, Middle- and Downstream Companies

D. Product Trends and Competition

(1) Product Trends

(2) Product Competition

**5.1.3 Research and Development**

Please refer to page XX of the Chinese annual report.

A. Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years

|  |  |  |  |
| --- | --- | --- | --- |
| Year | 2018 | 2019 | 2020 (As of April 30) |
| Total Expenses (NT$ thousands) | XXX | XXX | XXX |

B. Research and Development Achievements of the CRI in the Past Two Years

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | | 2018 | 2019 | 2020 (As of April 30) |
| New Products Launched | | XXX | XXX | XXX |
| Research Reports | | XXX | XXX | XXX |
| Patents | Approved | XXX | XXX | XXX |
| Pending | XXX | XXX | XXX |

1. Overview of Product Development

2. Overview of Research Achievement

3. Research Scope

4. Other R&D Related Projects

5. Ongoing Projects

6. Launch Date

7. Key Success Factors

**5.1.4 Long-term and Short-term Development**

Please refer to page XX of the Chinese annual report.

A. Long-term Development

a. Branding

b. Manufacturing and R&D

c. Trade and Distribution

d. Channel Management

e. Strategic Alliances and Mergers & Acquisitions

B. Short-term Development

a. Increasing Brand Value

b. Improving Profitability

c. Respecting the Market Mechanism

d. Being Disciplined and Getting Things Done

e. Being Socially Responsible

**5.2 Market and Sales Overview**

**5.2.1 Market Analysis**

A. Sales (Service) Region

%

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (Area)  (Division) | Taiwan | Asia | Europe | Americas | Other Area | Total |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

B. Market Share (%) of Major Product Categories in the Last Two Years

C. Market Analysis of Major Product Categories

D. Favorable and Unfavorable Factors in the Long Term

**5.2.2 Production Procedures of Main Products**

A. Major Products and Their Main Uses

B. Major Products and Their Production Processes

**5.2.3 Supply Status of Main Materials**

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Group** | **Major Raw Materials** | **Source of Supply** | **Supply Situation** |
|  |  |  |  |

**5.2.4 Major Suppliers and Clients**

Please refer to page XX of the Chinese annual report.

A. Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | 2018 | | | | 2019 | | | | 2020 (As of March 31) | | | |
| Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer |
| 1 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 2 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 3 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 4 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 5 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 6 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 7 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 8 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 9 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 10 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
|  | Others |  |  |  | Others |  |  |  | Others |  |  |  |
|  | Net Total Supplies |  | 100 |  | Net Total Supplies |  | 100 |  | Net Total Supplies |  | 100 |  |

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

B. Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | 2018 | | | | 2019 | | | | 2020 (As of March 31) | | | |
| Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer |
| 1 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 2 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 3 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 4 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 5 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 6 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 7 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 8 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 9 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 10 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
|  | Others |  |  |  | Others |  |  |  | Others |  |  |  |
|  | Net Sales |  | 100 |  | Net Sales |  | 100 |  | Net Sales |  | 100 |  |

Note 1: Major clients refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

**5.2.5 Production in the Last Two Years**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Output  Major Products  (or by department) | 2019 | | | 2018 | | |
| Capacity | Quantity | Amount | Capacity | Quantity | Amount |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |

Unit: NT$ thousands

**5.2.6** **Shipments and Sales in the Last Two Years**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Shipments  & Sales  Major Products  (or by departments) | 2019 | | | | 2018 | | | |
| Local | | Export | | Local | | Export | |
| Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |

**5.3 Human Resources**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | | 2018 | 2019 | Data as of ending data in the current year |
| Number of  Employees |  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Total |  |  |  |
| Average Age | |  |  |  |
| Average Years of Service | |  |  |  |
| Education | Ph.D. |  |  |  |
| Masters |  |  |  |
| Bachelor’s Degree |  |  |  |
| Senior High School |  |  |  |
| Below Senior High  School |  |  |  |

**5.4 Environmental Protection Expenditure**

**5.4.1 Total Losses**

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

None

**5.4.2 Countermeasures**

The Company has taken into consideration any potential risks or violation of environmental and regulations in formulating its environmental management system. The Company also closely monitors developments in the government’s environmental policies and regulations to be able to design precautionary measures. For the pollution and wastes generated in the production process, the Company takes the following measures to protect the environment:

(1) Prevention of water pollution: set up wastewater treatment plants and a water quality analysis laboratory at the XXX factory.

(2) Prevention of stationary pollution source: waste gas is collected by extraction pipes, and released into the air after the pollutants are removed through the wet scrubber.

(3) Cleaning of wastes: Works are done in accordance with the Waste Cleaning Plan, the disposal of waste is reported online in a legal way, and wastes are legally cleaned and recycled.

**5.5 Labor Relations**

**5.5.1 Employee Welfare**

List any employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

Please refer to page XX of the Chinese annual report.

**5.5.2 Labor Disputes**

A. **Total Losses**

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None

B. **Countermeasures**

Please refer to page XX of the Chinese annual report.

**5.6 Important Contracts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Agreement | Counterparty | Period | Major Contents | Restrictions |
|  |  |  |  |  |

**VI. Financial Information**

**6.1 Five-Year Financial Summary**

**6.1.1 Condensed Balance Sheet**

**A. Consolidated Condensed Balance Sheet – Based on IFRS**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Current assets | |  |  |  |  |  |  |
| Property, Plant and Equipment | |  |  |  |  |  |  |
| Intangible assets | |  |  |  |  |  |  |
| Other assets | |  |  |  |  |  |  |
| Total assets | |  |  |  |  |  |  |
| Current liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Non-current liabilities | |  |  |  |  |  |  |
| Total liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Equity attributable to shareholders of the parent | |  |  |  |  |  |  |
| Capital stock | |  |  |  |  |  |  |
| Capital surplus | |  |  |  |  |  |  |
| Retained earnings | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Other equity interest | |  |  |  |  |  |  |
| Treasury stock | |  |  |  |  |  |  |
| Non-controlling interest | |  |  |  |  |  |  |
| Total equity | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |

B. **Consolidated Condensed balance sheet – Based on ROC GAAP**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Current assets | |  |  |  |  |  |  |
| Funds & Long-term investments | |  |  |  |  |  |  |
| Fixed assets | |  |  |  |  |  |  |
| Intangible assets | |  |  |  |  |  |  |
| Other assets | |  |  |  |  |  |  |
| Total assets | |  |  |  |  |  |  |
| Current liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Long-term liabilities | |  |  |  |  |  |  |
| Other liabilities | |  |  |  |  |  |  |
| Total liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Capital stock | |  |  |  |  |  |  |
| Capital surplus | |  |  |  |  |  |  |
| Retained earnings | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Unrealized gain or loss on financial  instruments | |  |  |  |  |  |  |
| Cumulative translation adjustments | |  |  |  |  |  |  |
| Net loss unrecognized as pension cost | |  |  |  |  |  |  |
| Total equity | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |

**6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income**

**A. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Item | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Operating revenue |  |  |  |  |  |  |
| Gross profit |  |  |  |  |  |  |
| Income from operations |  |  |  |  |  |  |
| Non-operating income |  |  |  |  |  |  |
| Non-operating expenses |  |  |  |  |  |  |
| Income before tax |  |  |  |  |  |  |
| Net income (Loss) |  |  |  |  |  |  |
| Other comprehensive income  (income after tax) |  |  |  |  |  |  |
| Total comprehensive income |  |  |  |  |  |  |
| Net income attributable to shareholders of the parent |  |  |  |  |  |  |
| Net income attributable to non-controlling interest |  |  |  |  |  |  |
| Comprehensive income attributable to Shareholders of the parent |  |  |  |  |  |  |
| Comprehensive income attributable to non-controlling interest |  |  |  |  |  |  |
| Earnings per share |  |  |  |  |  |  |

**B. Consolidated Condensed Statement of Income – Based on ROC GAAP**

Unit: NT$ thousands

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Item | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Operating revenue |  |  |  |  |  |  |
| Gross profit |  |  |  |  |  |  |
| Income from operations |  |  |  |  |  |  |
| Non-operating income |  |  |  |  |  |  |
| Non-operating expenses |  |  |  |  |  |  |
| Income before tax |  |  |  |  |  |  |
| Income from operations of continued segments - after tax |  |  |  |  |  |  |
| Income from discontinued operations |  |  |  |  |  |  |
| Extraordinary gain or loss |  |  |  |  |  |  |
| Cumulative effect of accounting principle changes |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |
| Earnings per share |  |  |  |  |  |  |

**6.1.3 Auditors’ Opinions from 2015 to 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Accounting Firm | CPA | Audit Opinion |
| 2015 |  |  |  |
| 2016 |  |  |  |
| 2017 |  |  |  |
| 2018 |  |  |  |
| 2019 |  |  |  |

**6.2 Five-Year Financial Analysis**

**A. Consolidated Financial Analysis – Based on IFRS**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Analysis for the Last Five Years | | | | | As of the printing date of this annual report |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure (%) | Debt Ratio |  |  |  |  |  |  |
| Ratio of long-term capital to property, plant and equipment |  |  |  |  |  |  |
| Solvency (%) | Current ratio |  |  |  |  |  |  |
| Quick ratio |  |  |  |  |  |  |
| Interest earned ratio (times) |  |  |  |  |  |  |
| Operating performance | Accounts receivable turnover (times) |  |  |  |  |  |  |
| Average collection period |  |  |  |  |  |  |
| Inventory turnover (times) |  |  |  |  |  |  |
| Accounts payable turnover (times) |  |  |  |  |  |  |
| Average days in sales |  |  |  |  |  |  |
| Property, plant and equipment turnover (times) |  |  |  |  |  |  |
| Total assets turnover (times) |  |  |  |  |  |  |
| Profitability | Return on total assets (%) |  |  |  |  |  |  |
| Return on stockholders' equity (%) |  |  |  |  |  |  |
| Pre-tax income to paid-in capital (%) |  |  |  |  |  |  |
| Profit ratio (%) |  |  |  |  |  |  |
| Earnings per share (NT$) |  |  |  |  |  |  |
| Cash flow | Cash flow ratio (%) |  |  |  |  |  |  |
| Cash flow adequacy ratio (%) |  |  |  |  |  |  |
| Cash reinvestment ratio (%) |  |  |  |  |  |  |
| Leverage | Operating leverage |  |  |  |  |  |  |
| Financial leverage |  |  |  |  |  |  |
| Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) | | | | | | | |
|
|
|
|

**B. Consolidated Financial Analysis – Based on ROC GAAP**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | | Financial Analysis for the Past Five Years | | | | |
| 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure (%) | Debt Ratio | |  |  |  |  |  |
| Ratio of long-term capital to fixed assets | |  |  |  |  |  |
| Solvency (%) | Current ratio | |  |  |  |  |  |
| Quick ratio | |  |  |  |  |  |
| Interest earned ratio (times) | |  |  |  |  |  |
| Operating performance | Accounts receivable turnover (times) | |  |  |  |  |  |
| Average collection period | |  |  |  |  |  |
| Inventory turnover (times) | |  |  |  |  |  |
| Accounts payable turnover (times) | |  |  |  |  |  |
| Average days in sales | |  |  |  |  |  |
| Fixed assets turnover (times) | |  |  |  |  |  |
| Total assets turnover (times) | |  |  |  |  |  |
| Profitability | Return on total assets (%) | |  |  |  |  |  |
| Return on stockholders' equity (%) | |  |  |  |  |  |
| Ratio to issued capital (%) | Operating income |  |  |  |  |  |
| Pre-tax income |  |  |  |  |  |
| Profit ratio (%) | |  |  |  |  |  |
| Earnings per share (NT$) | |  |  |  |  |  |
| Cash flow | Cash flow ratio (%) | |  |  |  |  |  |
| Cash flow adequacy ratio (%) | |  |  |  |  |  |
| Cash reinvestment ratio (%) | |  |  |  |  |  |
| Leverage | Operating leverage | |  |  |  |  |  |
| Financial leverage | |  |  |  |  |  |
| Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) | | | | | | | |
|
|
|
|

**6.3 Supervisors’ /Audit Committee’s Report for the Most Recent Year**

**To: The General Meeting of Shareholders as of year 2020**

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2019, and found the same to be true and correct.Therefore, the Supervisors’ Report is hereby issued in accordance with Article 219 of Company Law.

⭘⭘⭘⭘ Corporation

Supervisors: ⭘⭘⭘

(Date)

**6.4 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors’ Report**

Please refer to page XX of the Chinese annual report.

**6.5 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors’ Report**

Please refer to page XX of the Chinese annual report.

**VII. Review of Financial Conditions, Financial Performance, and Risk Management**

**7.1 Analysis of Financial Status**

Unit: NT$ thousands

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year  Item | 2019 | 2018 | Difference | |
| Amount | % |
| Current Assets |  |  |  |  |
| Fixed Assets |  |  |  |  |
| Other Assets |  |  |  |  |
| **Total Assets** |  |  |  |  |
| Current Liabilities |  |  |  |  |
| Long-term Liabilities |  |  |  |  |
| **Total Liabilities** |  |  |  |  |
| Capital stock |  |  |  |  |
| Capital surplus |  |  |  |  |
| Retained Earnings |  |  |  |  |
| Other Adjustments |  |  |  |  |
| **Total Stockholders' Equity** |  |  |  |  |
| Analysis of changes in financial ratios: | | | | |

* **Effect of changes on the company’s financial condition:** The Company’s financial condition has not changed significantly.
* **Future response actions:** Not applicable

**7.2 Analysis of Financial Performance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year  Item | 2019 | 2018 | Difference | |
| Amount | % |
| Gross Sales |  |  |  |  |
| Less: Sales Returns |  |  |  |  |
| Sales Allowances |  |  |  |  |
| Net Sales |  |  |  |  |
| Cost of Sales |  |  |  |  |
| Gross Profit |  |  |  |  |
| Operating Expenses |  |  |  |  |
| Operating Income |  |  |  |  |
| Non-operating Income and Gains |  |  |  |  |
| Non-operating Expenses and Losses |  |  |  |  |
| Income Before Tax |  |  |  |  |
| Tax Benefit (Expense) |  |  |  |  |
| Cumulative Effect of Change in Accounting Principles |  |  |  |  |
| Analysis of changes in financial ratios: | | | | |

Unit: NT$ thousands

* **Effect of changes on the company’s future business:** The Company’s business scope has not changed significantly.
* **Future response actions:** Not applicable.

**7.3 Analysis of Cash Flow**

**7.3.1 Cash Flow Analysis for the Current Year**

Unit: NT$ thousands

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash and Cash Equivalents, Beginning of Year  (1) | Net Cash Flow from Operating Activities  (2) | Cash Outflow (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Deficit | |
| Investment Plans | Financing Plans |
|  |  |  |  |  |  |
| Analysis of change in cash flow in the current year: | | | | | |

**7.3.2 Remedy for Cash Deficit and Liquidity Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| Year  Item | 2019 | 2018 | Variance (%) |
| Cash Flow Ratio (%) |  |  |  |
| Cash Flow Adequacy Ratio (%) |  |  |  |
| Cash Reinvestment Ratio (%) |  |  |  |
| Analysis of financial ratio change: | | | |
|
|

**7.3.3 Cash Flow Analysis for the Coming Year**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Estimated Cash and Cash Equivalents, Beginning of Year (1) | Estimated Net Cash Flow from Operating Activities (2) | Estimated Cash Outflow (Inflow) (3) | Cash Surplus (Deficit)  (1)+(2)-(3) | Leverage of Cash Surplus (Deficit) | |
| Investment Plans | Financing Plans |
|  |  |  |  |  |  |

**7.4 Major Capital Expenditure Items**

**7.4.1 Major Capital Expenditure Items and Source of Capital**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Project | Actual or Planned Source of Capital | Actual or Planned Date of Completion | Total Capital | Actual or Expected Capital Expenditure | | | |
| 2019 | 2020 | 2021 | 2022 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

**7.4.2 Expected Benefits**

**A. Estimated Increase in Production, Sales, and Gross Profits**

Unit: NT$ thousands

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Item | Quantity of Production | Quantity of Sales | Amount of Sales | Gross Profit |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**B. Other Benefits：**None.

**7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

Unit:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Remarks  Item | 2019 Income  (Loss) Amount | Policies | Reasons for Gain  or Loss | Action Plan | Investment Plan  for the Next 12 Months |
|
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**7.6 Analysis of Risk Management**

**7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

**(1) Interest rate**

In 2019, the interest expenses of the Company represented XX% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

**(2) Foreign exchange rates**

The income/loss from foreign exchange transactions in 2019 was an amount equivalent to XX% of total operating income. The Company has a clear operating strategy and risk control procedure to respond to changes in the spot exchange rate, stays in close contact with financial institutions, and adjusts its foreign exchange strategy to minimize the risk of exchange rate accordingly.

**(3) Inflation**

The impact of inflation does not currently have a significant impact on the Company’s profits and business operations.

**7.6.2 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**

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company’s “Procedures for Lending” and “Procedures for Endorsement Guarantee”. Furthermore, derivative transactions follow the “Procedures for Acquisition and Disposal of Assets”.

**7.6.3 Future Research & Development Projects and Corresponding Budget**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Research Projects | Completion (%) | Expected Research Expenditure | Expected Completion Schedule | Major Risk Factors |
|  |  |  |  |  |

**7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2019 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

**7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The Company attaches great importance to improvements in technology and carefully monitors market trends and assesses the impact they may have on the company’s operations.

**7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures**

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

**7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

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

**7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Any expansion of the Company’s facilities will be subject to careful evaluation by a special task force in accordance with the Company’s internal control system.

**7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

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

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

The structure of our principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company’s best interest. Accordingly, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated. In addition, our risk management department is responsible to monitor any related risks and report to the Board. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

**7.6.12 Litigation or Non-litigation Matters**

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

**7.6.13 Other Major Risks**

**(1) Market risk**

The Company’s available-for-sale assets are publicly traded securities, with fair values that are affected by changes in market prices. Significant market risks are mitigated through the Company’s careful selection of its investment holdings. In addition, the Company uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities and/or other firm commitments. As such, no significant market risk is anticipated.

**(2) Credit risk**

The Company is exposed to credit risk on default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

**(3) Liquidity risk**

The Company’s available-for-sale financial instruments are publicly traded in an active market and can be sold at their fair values. In addition, the Company has enough operating capital to meet cash demands. As such, no significant demand for additional cash is anticipated.

**VIII. Special Disclosure**

**8.1 Summary of Affiliated Companies**

Please refer to page XX of the Chinese annual report.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | (Year) (Number of Times) Private Placement  Issue Date: XXX | | | | | (Year) (Number of Times)Private Placement  Issue Date: XXX | | | | |
| Securities under private placement |  | | | | |  | | | | |
| Date of resolution and approved quantity |  | | | | |  | | | | |
| Basis and rationale for price setting |  | | | | |  | | | | |
| Selection method of specified parties |  | | | | |  | | | | |
| Reasons for private placement |  | | | | |  | | | | |
| Date of payment and completion |  | | | | |  | | | | |
| Information on contributing parties | Target | Eligibility | Quantity Purchased | Relationship with the Company | Participation in Company Operations | Target | Eligibility | Quantity Purchased | Relationship with the Company | Participation in Company Operations |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Actual purchase (or conversion) price |  | | | | |  | | | | |
| Difference between the actual purchase (or conversion) price and the reference price |  | | | | |  | | | | |
| Impact of private placement on shareholders’ equity (ex. causing an increase in accumulated losses) |  | | | | |  | | | | |
| Use of funds from private placement and progress of proposed plans |  | | | | |  | | | | |
| Effectiveness of private placement |  | | | | |  | | | | |

**8.2 Private Placement Securities in the Most Recent Years:**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name of Subsidiary | Stock Capital Collected | Fund Source | Shareholding Ratio of the Company | Date of Acquisition or Disposition | Shares and Amount Acquired | Shares and Amount Disposed of | Investment Gain (Loss) | Shareholdings and Amount in Most Recent Year | Mortgage | Endorsement Amount Made for the Subsidiary | Amount Loaned to the Subsidiary |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

Unit: NT$ thousands; Shares; %