

LemTech

Lemtech Holdings Co., Limited

2019

Annual Report

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

The Annual Report is available at <http://mops.twse.com.tw>

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

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CPA Firm: Deloitte & Touche

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V. Name of the Trading Place Where Overseas Securities are Listed for Trading and Methods to Inquire About the Overseas Securities Information: None.

VI. Company Website: <http://www.lemtech.com> ◦

VII. List of Board Members

Title	Name	Nationality	Major academic (work) experience
Chairman	Hsu, Chi-Feng	Republic of China	Changhua Yang-Ming Middle School Chairman and General Manager of Lemtech Holdings Co., Limited
Vice Chairman	Chan Kim Seng Maurice	Singaporean	Diploma in Management Studies (Singapore Institute of Management) Vice Chairman and Business Director of Lemtech Holdings Co., Limited
Director	Ye, Hang	Mainland China	Shanghai Workers College for Mechanotronics Director and Technical Chief of Lemtech Holdings Co., Limited
Director	Tan, Yong	Mainland China	Shanghai Machine Tool Electric Appliance Plant Technical School Director of Lemtech Holdings Co., Limited
Independent Director	Yang, Rui-Long	Mainland China	Master of Economics in the Renmin University of China Professor of School of Economics in Renmin University of China
Independent Director	Yu, Chi-Min	Republic of China	Doctor of Southern Methodist in Law and Science of Law Associate Professor of the Department of Law of Soochow University Secretary-general of Taiwan Technology Industry Legal Officers Association Director of EasyCard Corporation Independent Director of SYNCOMM TECHNOLOGY Corporation
Independent Director	Lee, Wei-Ming	Republic of China	Bachelor of Business Administration from National Taiwan University Chairman of Yubo International Co., Ltd. Consultant of Lightel Technologies, Inc.

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Chapter 1 2019 Letter to Shareholders

Dear shareholders,

Since 2018, the changes brought about by the China-US trade war have not only accelerated the establishment of supply chain systems in regions other than China, but also accelerated the strengthening of the exclusivity for Chinese and American clients against their suppliers. In terms of operation strategy, in addition to thinking about decentralized operation bases, the senior management of the company also needs to strengthen the responses toward the business changes facing the new ecology of clients. To increase future operational flexibility, cross-border and cross-regional investments are imperative, and therefore, it is necessary to increase the managers who are capable of managing a cross-border and culturally diverse workforce. This will be one of the company's most important strategic goals in short-term development. Looking ahead into 2020, although the COVID-19 pandemic increases the uncertainty of business operation, the company's operations are still aimed at growth. In response to the impact of the pandemic, seeing that it is vital to change the business models of global enterprises, the company will strengthen the upgrading of the group's information security application level, including going onto the cloud for the hardware equipment. In 2020, even though there is the COVID-19 pandemic that interferes with the company's operation and development, the company will still grow steadily, adjust the company's operating strategies and direction in a timely manner, with the ultimate goal of enhancing shareholders' equity, as well as fulfilling the company's corporate social responsibilities in order to be a corporate citizen that keeps up with the times.

Compared with the previous year, the revenue and development in 2019 decreased, with the revenue of 3C products, including mobile phones and other products, has declined significantly. Due to the failure to reach the economic scale, the gross profit and net operating income have not performed as well as those in 2018. Please refer to the table below for details.

After the settlement done by the accountants, the company's revenue in 2019 is NT\$5.04 billion, a decrease of NT\$1 billion and a 17% decline compared with that of NT\$6.04 billion in 2018. The fall of revenue mostly comes from 3C products. New mobile phones did not perform as expected as the reaction of end users of mobile phones was lukewarm. The entire industry, including the clients of Lemtech, was affected by the China-US trade war, which saw the significant decrease of overall revenue of 3C products. Other categories of products, such as automotive products, servers, 5G-related products are still growing in revenue. In terms of expenses, the company will actively adjust business and management expenses. The capital expenditure investment for mid- and long-term development will continue according to the plan, and the investment in research and development expenses will be concentrated on the core projects of new products and technologies.

I. 2019 Business Report

(I) Implementation results of the business plan

Unit: Thousand NTD

Item \ Year	2019	2018	Amount of increase(decrease)	Change by percentage (%)
Net operating revenue	5,042,657	6,043,090	(1,000,433)	(16.55)
Operating costs	4,011,648	4,757,020	(745,372)	(15.67)
Gross profit	1,031,009	1,286,070	(255,061)	(19.83)
Operating expenses	637,126	680,111	(42,985)	(6.32)
Net operating income	393,883	605,959	(212,076)	(35.00)
Non-operating income and expenses	(57,025)	(63,795)	6,770	(10.61)
Net income before tax	336,858	542,164	(205,306)	(37.87)
Less: Income tax expenses	74,519	136,761	(62,242)	(45.51)
Net income for this period	262,339	405,403	(143,064)	(35.29)

Analysis on the change of amount of increase/decrease:

- (1) Decrease in operating revenue: Mainly caused by 3C electronic products suffering from China-US trade war and poor product sales.
 - (2) Decrease in operating costs: As operating revenue decreases, costs also decrease.
 - (3) Decrease in gross profit: Mainly caused by the decrease in operating revenue.
 - (4) Decrease in operating expenses: Due to adjustment of sales expenses and control and management expenses in this period.
 - (5) Decrease in net operating income: mainly due to decrease in operating revenue.
 - (6) Decrease in non-operating expenses: Due to the reduction of exchange losses.
 - (7) Decrease in net income before tax: The decrease of net income before tax of the current period was mainly due to the decrease in net operating income.
 - (8) Decrease in income tax expenses: Mainly due to the decrease in net operating income, causing the decrease in income tax expenses.
 - (9) Decrease in net income for this period: Mainly due to the decrease in operating revenue.
- (II) Budget execution status: Not applicable due to the fact that the company only sets internal budget targets, and did not disclose any financial forecasts in 2019.
- (III) Analysis of financial revenues and expenditures and profitability: The company focuses on enhancing the portfolio of products which generate higher gross profit, integrating client resources, strengthening cooperation with well-known enterprises. The company's financial operations have been consistent and stable, and revenue and expenditures are in good condition.

Unit: %

Item \ Year		2019	2018	Increase (decrease)
Financial structure	Ratio of liabilities to assets	68.35	65.28	3.07
	Ratio of long-term capital to fixed assets	160.43	199.09	(38.66)
Debt service	Current ratio	132.80	139.23	(6.43)

Item \ Year		2019	2018	Increase (decrease)
ability	Quick ratio	105.17	102.48	2.69
Profitability	Asset return ratio	5.37	8.77	(3.40)
	Shareholders' equity return ratio	13.65	23.21	(9.56)
	Basic earnings per share (NTD)	5.47	8.06	(2.59)

(IV) Research and development status: The Company continues to work on the improvement, promotion, and integration of existing mechanisms, with the vision to providing more personalized services with breadth and depth.

II. 2020 Business Plan

(I) Management guidelines

Since the beginning of the China-US trade war in 2018, issues such as tariffs on products, information security, and technological competition have all surfaced. In order to meet the requirements of clients, in addition to moving part of the production line out of China, Lemtech has also thought about decentralized production bases in our regional planning. Since the establishment of our factory in Taiwan, except when it once went through temporary shutdown due to more than half of the production capacity has been moved to the Philippines, both the cluster effect of the clients and the continuity of technology development are put into consideration.

In terms of business strategy, with the increase of the group's product lines and operating bases, we aim to plan different production bases to establish the technical capabilities of their respective core products, and the necessity to establish closer relationships with third-party factories is more vital than ever. We expect that these strategies will make production bases in different regions more flexible to meet the needs of clients or local orders, and will be able to strengthen the backup mechanism.

The automotive products produced by Lemtech will gradually see success in Czech Republic and Thailand. We are still deeply engaged in the production of automotive products in Czech Republic. In Thailand, we are not only adding the production of auto parts, but also actively fighting for the increase in the proportion of revenue from electronic products. The goals of strengthening the integration of upstream and downstream, increasing the proportion of automated production, dedicating to projects in enhancing the added value of products, and actively exploring high-end technologies and developing new customers are still the company's key policies. To enhance the overall profitability of the group, the company will devote itself to the development of the market of products with high gross profit and invest more resources in the group's integration and information capabilities.

For our mid-term product development goals, the focus is still on 5G and server-related products. The company has actively invested in the development of

innovative sports industry and critical components in the telecommunications industry.

(II) Major production and marketing policy

1. Continue to develop new technologies and enhance industrial competitiveness.
2. Accelerate the company's expansion in new product areas with the commissioning of new equipment.
3. Continuously strive to enhance the cost structure, improve internal management processes, increase production efficiency, reduce production costs, and boost market competitiveness.

III. Future Development Strategies of the Company

- (I) The company will position itself as an all-round multi-field stamping component supplier, as the development will be centered on the research and development of mold technology, while the products will be diversified in different fields.
- (II) Integrate the supply chain, span to other fields from the stamping production, and try some related upstream and downstream production to provide the clients with more integrated services.
- (III) Increase the application of robots in production, and gradually change the current production method of automated production lines to reduce the dependence on labor, improve production efficiency, and ensure product quality.
- (IV) Focus on and master the global technology, market progress and development trends, and increase investment in cloud technology applications.
- (V) Actively expand client reach and market share.
- (VI) Introduce strategic partners and initiate plans of mergers and acquisitions in a timely manner to accelerate the increase of competitiveness and step into new product areas.
- (VII) Continue to strengthen corporate governance to pursue the sustainable development of the company.
- (VIII) Implement stable financial plans to reduce the risk of fluctuation in external exchange rates.

IV. Impact on the Company due to Competition, Governmental Regulations, and Overall Operation Environment

(I) Impact of external competition

1. With the increasingly fierce competition among newcomers in the industry, the pressure on the prices of products is increasing day by day. Under the pressure of fierce market competition, in addition to providing the products that have competitive advantages in prices, the company must still maintain the product quality.
2. In order to respond to the gradually rising wage costs every year, the company must increase operating costs, develop automated equipment, and actively intervene in the clients' product development processes so that we may take these process factors into account during the stage of product design.
3. Actively develop the company's own advantages, recognize the company's market positioning, avoid excessive and unnecessary competition, and maintain

differences with competitors.

4. Re-examine and find the best business scale for a single factory, and study new business models and organizational forms to maximize the company's operating efficiency.

(II) Impact of governmental regulations

1. The company appoints qualified manufacturers to dispose of the waste generated after production. The company upholds its social responsibility and meets the relevant global environmental quality requirements.
2. Regarding the amendments to the new laws and regulations, the company makes the best preparations and plans for shareholders' equity in advance to minimize the risk of uncertainty.

(III) Impact of overall operation environment

1. From the point of view of market-related analysis reports, the global economic situation is still not ideal, and therefore, there is still the risk of uncertainty in operation. The company needs to be more careful to control the budget and reduce inventory, improve the better financial structure, and maintain close contact with the clients and suppliers. The company shall also maintain a sensitive market sense so as to reduce the risk of operation.
2. In view of the uncertainty of the future budget, the company will strengthen the provision of the correct financial information for the decision-making units to make the soundest judgment, such as the balance point of profit and loss and capacity utilization rate, etc.

Finally, thank you again for your enthusiastic participation. We wish you all good health and good luck in the future.

Lemtech Holdings Co., Limited

Chairman: Hsu, Chi-Feng

President: Hsu, Chi-Feng

Accounting Managerial Personnel: Lu, Chin-Yu

Chapter 2 Company Introduction

I. Date of Incorporation

Lemtech Holdings Co., Limited (hereinafter referred to as "the Company") is mainly engaged in production and selling of precision metal dies and metal stamping. The company was established in Cayman Island on Sep. 29, 2009 with several production and operating sites in Taiwan, Mainland China, Hongkong, Thailand, Czech and the Philippines in consideration of the company's development. The company also set an office in the USA to obtain more shares in the overseas market, strengthen the layout of the overseas business market in the European and American markets, so as to improve the company's business performance.

Since its establishment, the company has been focusing on mold manufacturing, process and improvement of heat dissipation devices and timely adjusted its operation and development trend to cope with the continuous change of market demand. By actively introducing advanced equipment, and continuously developing and upgrading its processing technology, the company has successfully shifted from engineering processing to single-equipment continuous processing and combined equipment continuous processing technology using manipulator. At the same time, to cope with the customer demand, the company has gradually shifted from single-piece production and manufacturing of products to the assembly and production of components. This has further improved the company's competitiveness and profitability.

Consequently, the company has the capability to set foot in automotive components and building materials products from the manufacturing of heat sink. In addition, the company has also conducted market research and surveys, continuously improving its existing production processes, and developing products with higher value-added.

By virtue of its excellent mold development, design capabilities and precision stamping technology, the company has built a variety of product lines and customer clusters. Currently, the company's products can be applied in different industries such as information, communications, consumer electronics, household appliances, automobile industry, and construction industry. The company serves different customers in different industries instead of focusing on a single product. This has effectively reduced the company's business risk.

II. Company Overview

Date	Important event
Feb. 2012	(1) Kunshan Lemtech was awarded with the prize of Best Supplier in 2011 of Autoliv
	(2) Kunshan Lemtech passed the green product system attestation carried out by PEGATRON Unihan
Mar. 2012	The Hinge Division of Kunshan Lemtech passed the annual

Date	Important event
	supervision and verification of ISO9001:2008 conducted by AFAQ/BestCERT (or Bellcert?) and the verification of Panasonic, and became their qualified supplier
Apr. 2012	(1) Kunshan Lemtech passed the annual supervision and verification of ISO/TS16949:2009 conducted by AFAQ/BellCERT as well as the IATF verification (2) Kunshan Lemtech established its Heat Dissipation Module Division (3) Kunshan Lemtech passed the annual supervision and verification of ISO14001:2004 conducted by AFAQ/BellCERT (4) Held a beam-raising ceremony in the new factory of Kunshan Lemtech in Weita Rd., Changp'u (5) Kunshan Lemtech implemented the EasyFlow electronic approval system
May 2012	(1) The Module Division of Kunshan Lemtech passed the examination of Wistron and became its qualified supplier (2) Kunshan Lemtech received RMB 700,000 of tax refunds from R&D expenses (3) Kunshan Lemtech was awarded the bonus granted by Kunshan Government of Jiangsu Province, China for excellent enterprise listing in Taiwan. The bonus was RMB 2,500,000 and received
Jun. 2012	Kunshan Lemtech was awarded the prize of Best Overseas Partner of Furukawa Electric
Jul. 2012	Kunshan Lemtech passed the examination of Google and became its qualified supplier
Sep. 2012	Kunshan Lemtech successfully organized a company-wide fire drill
Nov. 2012	(1) Kunshan Lemtech was awarded the prize of Morse TEC Excellent Supplier in 2012 of BORGWARNER (2) Proceeded SEO and successfully raised NT\$ 215 million
Dec. 2012	The new factory of Kunshan Lemtech in Changp'u passed the construction completion approval
Jan. 2013	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2012 of Autoliv
Mar. 2013	Established the company Aapico Lemtech (Thailand) Co., Ltd. jointly with Aapico, a major listed company in Thailand engaging in automobile parts, in order to expand its overseas operating points and add new customers
May 2013	Subsidiary company Lemtech USA INC. was established in the USA to expand the overseas market
May 2013	The factory of Kunshan Lemtech in Changp'u was formally put into operation
May 2013	The new factory of Kunshan Lemtech in Changp'u passed the ISO/TS16949:2009 attestation carried out by AFAQ/BellCERT

Date	Important event
Jan. 2014	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2013 of Autoliv
Feb. 2014	Kunshan Lemtech won the Best Quality Award in 2013 of TRW (Shanghai)
Mar. 2014	The new factory of Kunshan Lemtech in Changp'u passed the ISO14001 Environment management system attestation carried out by AFAQ/BellCERT
Apr. 2014	Issued its first domestic unsecured convertible corporate bonds in 2014
May 2014	Established its subsidiary company Lemtech Technology Limited in Hongkong, to adjust the group's organizational function
Sep. 2014	Awarded the Golden Peak Prize of 16th Session of OEMA
Jan. 2015	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2014 of Autoliv
Apr. 2015	(1) Lemtech Technology Limited established Jimao Lemtech Co., Ltd. (Taiwan) jointly with Jimao Precision Co., Ltd., to cope with the technology development of server heat dissipation products, mutually benefiting two parties in revenues and technologies (2) Kunshan Lemtech won the Fujitsu Ten Quality Excellence Award in 2014
May 2015	Listed in stock exchange on May 21, 2015
Jun. 2015	Won the Golden Torque Prize of 12th Session of OEMA
Oct. 2015	Kunshan Lemtech sold 10% of its equities to Friendly Holdings (HK)
Nov. 2015	Cancel the buyback treasury stock; after capital reduction, the company's paid-up capital was NT\$ 395,410,000
Dec. 2015	(1) Lemtech Technology transferred its equities to Kunshan Lemtech (original shareholder was Super Solution) (2) Lemtech USA transferred its equities to Kunshan Lemtech (original shareholder was Super Solution)
Jan. 2016	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2015 of BORGWARNER
Mar. 2016	Kunshan Lemtech was awarded the prize of Best Service Supplier in 2015 of TRW (Shanghai)
Apr. 2016	(1) Established its subsidiary, Lemtech Industrial Services Ltd, in Samoa as its operation management institution (2) Kunshan Lemtech was renamed as "Kunshan LemTech Precision Engineering Co., Ltd."
May 2016	(1) Lemtech Global Solution Co. Ltd. established Lemtech AMP Limited (Seychelles) jointly with Ch'engkuan Enterprise (Limited) Company by pooling of capital, for marketing and selling of new type fire extinguishers and highway guardrails made of plastic steel materials

Date	Important event
	(2) Super Solution Co., Ltd. was renamed as "Lemtech Global Solution Co. Ltd."
Jul. 2016	(1) Kunshan Lemtech was renamed as "LemTech Precision Material (China) Co., Ltd." (2) LemTech Precision Material won the Global Excellent Supplier Award in 2015 of BORGWARNER
Aug. 2016	(1) Established its subsidiary "Kunshan Lemtech Slide Technology Co., Ltd." in Mainland China for more product diversification and layout expansion in the field of server (2) Established its subsidiary "New Fortune Global Limited" in Samoa, for considerations of the group's investment architecture and flexibility (3) LemTech Precision Material passed the customer's VDA 6.3 process verification conducted by Thyssenkrupp
Sep. 2016	(1) Established its subsidiary Lemtech Precision Material (Czech) s.r.o. in Czech, in order to strengthen its global layout and tax incentive (2) LemTech Precision Material won the Best Partner Award of Pollmann
Oct. 2016	LemTech Precision Material signed a strategic cooperation agreement with Pollmann
Jan. 2017	(1) LemTech Precision Material launched its ISO14001 environmental management system revision activity (2) LemTech Precision Material won the Quality Excellence Award in 2016 of BORGWARNER
Mar. 2017	LemTech Precision Material passed ISO3834 and ISO14554 international welding attestation
Apr. 2017	LemTech Precision Material passed ISO14001:2015 environmental management system revision attestation
Oct. 2017	LemTech Precision Material launched its project for updating ISO/TS16949:2009 to IATF16949:2016
Nov. 2017	(1) LemTech Precision Material completed the decoration of its second-phase plant and formally put it into operation (2) LemTech Czech passed ISO9001:2015 quality management attestation
Dec. 2017	LemTech Precision Material won the Best Partnership Award in 2017 of BORGWARNER
Jan. 2018	LemTech Precision Material won the General Manager Award in 2017 of TRW (Wuhan)
May 2018	LemTech Precision Material passed IATF16949:2016 automobile quality system revision attestation
Jul. 2018	Issued its second domestic unsecured convertible corporate bonds in 2018

Date	Important event
Oct. 2018	The group redeemed 10% of equities in LemTech Precision Material
Nov. 2018	(1) Bought the land located in Huaya Section, Guishan District, Taoyuan to build a factory, in order to meet customers' requirements and spread the risks arising from centralized production in one area (2) Lemtech Global Solution Co. Ltd. bought 50% of equities of Jimao Lemtech (Taiwan), to cope with the group's operation plan and future development
Jan. 2019	(1) Taiwan branch is set up to cope with the needs of its business development (2) Invested in an electroplate factory in Mainland China "Zhenjiang Emtron Surface Treatment Limited" in order to ensure the stability of its production and supply chain of automobile parts in Mainland China and improve the gross profits of products
Jun. 2019	Established a subsidiary "Lemtech Cooling System Limited" in Hongkong, for consideration of the group's structure and needs of expansion flexibility in future
Jul. 2019	(1) Established a subsidiary "Lemtech Philippine Thermal System Inc." in the Philippines, for consideration of expanding operation sites and obtaining more business orders in the Philippines (2) "Lemtech Energy Solutions Corporation" completed equity transfer and became a subsidiary of the group
Oct. 2019	Established its subsidiary "Kunshan Lemtech Electronics Technology Co.,Ltd." in Mainland China, for consideration of its group structure and plans on heat dissipation business

Notes: In July 2016, Kunshan Lemtech was renamed as Lemtech Precision Material.

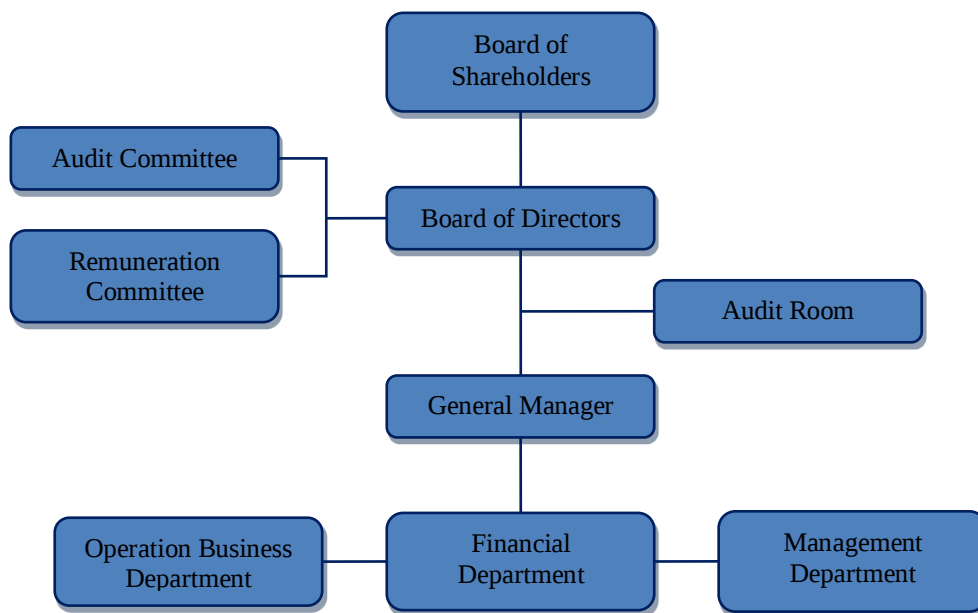
III. Group Structure: Please refer to page 132 in this annual report.

IV. Risk Matters: Please refer to page 126 to 131 in this annual report.

Chapter 3 Corporate Governance Report

I. Organizational System

(I) The Company's organization structure



(II) Functions of Major Departments

Department	Functions
Audit Committee	(1) Sets or revises the internal control system according to requirements under Article 14-1 of the Securities and Exchange Act. (2) Evaluation of the effectiveness of an internal control system. (3) Adoptions or amendments, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of capital loans to others, or endorsements or guarantees for others. (4) Matters involving the personal interest of Directors. (5) Material asset or derivatives transactions. (6) Material capital loans, endorsements, or provisions of guarantees. (7) The offering, issuance, or private placement of any equity-type marketable securities. (8) The appointment, dismissal, or compensation of CPA. (9) The appointment or dismissal of financial, accounting, or internal audit officers. (10) consolidation of annual and semi-annual financial reports. (11) Other significant matters as required by the Company or the competent authority.

Department	Functions
Salary and Remuneration Committee	(1) Establishes and periodically reviews compensation policies, system, standards, and structure, as well as the performance evaluation of Directors and managers. (2) Periodically evaluates and establishes compensations for Directors and managers.
General Manager	Decision-making personnel at the highest management level who is responsible for monitoring business operation and implementation, as well as executing the resolutions of the Board of Directors.
Auditing Office	Responsible for auditing, maintenance, improvement, and proposing suggestions on internal control system. Assists each unit to solve problems, improve work and enhance working efficiency.
Administration Department	Responsible for management of the Company's personnel, general affairs, security, information and customs affairs management, planning for the Board meetings, and management and execution of the convening of the shareholders' meeting and stock affairs (in accordance with the "Rules of Procedure of the Board of Directors").
Finance Department	Responsible for the management of the Company's investment and working capital, processing of production and sales cost accounting matters, preparation of financial statements and administration of tax affairs.
Operating Department	Responsible for the executions of the Board of Directors' decisions on investment, branch establishment and operation strategies in Taiwan, Mainland China, Hong Kong, Thailand, Philippines, United States and Czech Republic etc.; the operation and management of companies are carried out by the management teams in corresponding companies.

II. Information on Directors, General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

(I) Directors:

1. Information on Directors:

Apr. 17, 2020 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, Directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman	Republic of China	Hsu, Chi-Feng	Male	2018.06.11	3	2009.09.29	6,083	15.38	7,289	15.35	-	-	-	-	Vice Manager of Manufacturing Department of Li Yao Industrial Co., Ltd. Vice General Manager of Wei Yao Industrial (Shareholding) Co., Ltd. Changhua Yang-Ming Middle School	Chairman and General Manager of the Company. Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc.	None	None	None	Note 1
Vice chairman	Singapore	Chan Kim Seng Maurice	Male	2018.06.11	3	2009.09.29	4,329	10.95	5,134	10.81	-	-	-	-	Diploma in Management Studies (Singapore Institute of Management) Manager of Project Department of Amtek Engineering Ltd, CA SBU General Manager of Kunshan Eson Precision Engineering Co., Ltd. National Trade Certificate Grade 1 in Precision Press Tool & Die Making (Precision Engineering Institute of Singapore) Master Craftsman Certificate in Precision Press Tool & Die Making (Economic Development Board of Singapore)	Vice chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd.	None	None	None	

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, Directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Director	Mainland China	Ye, Hang	Male	2018.06.11	3	2009.09.29	4,217	10.66	5,000	10.53	-	-	-	-	Director of Mould Design Department of Amtek Engineering Ltd, CA SBU Manager of Business Department of Kunshan Eson Precision Engineering Co., Ltd. Shanghai Workers College for Mechanotronics	Director of the Company and Chief Technology Officer (CTO) Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc.	None	None	None	
Director	Mainland China	Tan, Yong	Male	2018.06.11	3	2009.11.24	1,744	4.41	2,093	4.41	-	-	-	-	Head of Mould Department of Shanghai Pioneer Speakers Co., Ltd. Sales Director of Shanghai Chin Jih Metal Products Co., Ltd. Shanghai Machine Tool Electric Appliance Plant Technical School	Director of the Company Director and General Manager Special Assistant for Factory Affairs of LemTech Precision Material (China) Co., Ltd.	None	None	None	
Independent Director	Mainland China	Yang, Rui-Long	Male	2018.06.11	3	2009.11.24	-	-	-	-	-	-	-	-	Instructor of Teaching and Research Office of Economics Department of Jiangsu Administration Institute Master of Economics in the Renmin University of China	Independent Director of the Company. Professor of School of Economics in Renmin University of China	None	None	None	
Independent Director	Republic of China	Yu, Chi-Min	Male	2018.06.11	3	2010.06.17	-	-	-	-	-	-	-	-	Director General of Taiwan Cure Law Association Director of Electronic Computer Center of Soochow University Vice General Manager of Eastern Multimedia Group Doctor of Southern Methodist in Law and Science of Law	Independent Director of the Company. Associate Professor of Department of Law of Soochow University Secretary-general of Taiwan Technology Industry Legal Officers Association Arbitrator of Chinese Arbitration Association, Taipei Director of EasyCard Corporation Independent Director of SYNCOMM Technology Corporation	None	None	None	
Independent Director	Republic of China	Lee, Wei-Ming	Male	2018.06.11	3	2010.06.17	-	-	-	-	-	-	-	-	General Manager/Consultant of Kang Chu International Co.,Ltd. Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd. Bachelor of School of Business of National Taiwan University	Independent Director of the Company. Chairman of Yubo International Co., Limited Consultant of Lightel Technologies, Inc.	None	None	None	

Note 1: If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of Independent Directors, keeping more than half of the Directors not concurrently serving as employees or managers, etc.) and other related information : The Chairman and General Manager of the company are the same person, mainly because the company considers that the group scale has been gradually extended to Europe, the United States, Thailand, Philippine and other places. In order to coordinate the group's resource planning, the position of the General Manager was adjusted on Dec. 2015. Ye, Hang, the former General Manager, is the general manager of Kunshan business group. It is necessary and reasonable for the President of the company to concurrently serve as the General Manager of the group to facilitate the integration of the group's decision-making and operation. Additionally, in order to be in line with corporate governance and relevant laws and regulations, the company plans to increase the number of independent directors and directors by Dec. 31, 2023, and half of the directors are not served as employees or managers concurrently.

2. Professional Qualifications and Independence of Directors:

Name \ Qualification	Meets one of the following professional qualifications, with at least five years of work experience			Status of Independence (Note 1)												Number of other public companies where the individual concurrently serves 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 has 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	11	12	
Hsu, Chi-Feng			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chan Kim Seng Maurice			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ye, Hang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tan, Yong			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yang, Rui-Long	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yu, Chi-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lee, Wei-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Please check "V" the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and 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 applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not the managers listed in (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor or employee of corporate shareholders who directly hold more than 5% of the total number of issued shares of the Company, rank top five in shareholding, or appoint a representative as a director or supervisor of the Company in accordance with Article 27-1 or 27-2 of the Company Act (Independent Directors of the Company and its parent company, subsidiary company or subsidiary company of the same parent company established in accordance with this Act or local laws shall not be subject to the provisions).
- (6) Not concurrently a supervisor or employee of other companies controlled by the same person who serves as the director or holds more than half of voting shares of the Company (Independent Directors of the Company or its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or local laws shall not be subject to this provision).
- (7) Not a director (member), supervisor or employees of other companies or institutions for a person or spouse serving as the chairman, general manager or equivalent post of the Company (Independent Directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Act or local laws shall not be subject to this provision).
- (8) Not a director (member), supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the Company (however, any specific company or institution holding more than 20% and less than 50% of the total number of issued shares of the Company and the directors concurrently serve as independent directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws shall not be subject to this provision).
- (9) Not a professional, proprietorship, partnership, business owner of a firm or institution, partner, director (member), supervisor, manager and spouse of any of the above who provide commercial, legal, financial, accounting and other related services for the Company or its affiliated enterprises or had obtained no more than NT\$ 500,000 cumulative remuneration in the past two years. However, members of the salary and remuneration committee, public acquisition review committee, or the special committee of merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

- (10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other director of the Company.
- (11) Does not have a condition defined in Article 30 of the Company Act.
- (12) The one who is elected is not a government agency, juristic person, or its representative as set forth in Article 27 of the Company Act of the R.O.C.

(II) General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches:

Apr. 17, 2020 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date of induction	Shares held		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Managers obtained an employee stock option certificate (shares)	Remarks
					Number hares of	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation		
General Manager	Republic of China	Hsu, Chi-Feng	Male	2015.12	7,289	15.35	-	-	-	-	Vice Manager of Manufacturing Department of Li Yao Industrial Co., Ltd. Vice General Manager of Wei Yao Industrial (Shareholding) Co., Ltd. Changhua Yang-Ming Middle School	Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc.	None	None	None	0	Note 1
Business Director	Singapore	Chan Kim Seng Maurice	Male	2003.10	5,134	10.81	-	-	-	-	Diploma in Management Studies (Singapore Institute of Management) Manager of Project Department of Amtek Engineering Ltd, CA SBU National Trade Certificate Grade 1 in Precision Press Tool & Die Making (Precision Engineering Institute of Singapore) Master Craftsman Certificate in Precision Press Tool & Die Making (Economic Development Board of Singapore)	Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd.	None	None	None	0	
CTO	China	Ye, Hang	Male	2003.03	5,000	10.53	-	-	-	-	Director of Mould Design Department of Amtek Engineering Ltd, CA SBU Shanghai Workers College for Mechanotronics	Director of Lemtech Global Solution Co. Ltd. Director and General Manager of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc.	None	None	None	0	
CMO	Malaysia	Murali Nair	Male	2013.02	-	-	-	-	-	-	Embatech Sdn Bhd (General Manager) Circuit Sales Inc (CSI) (Business Development and Strategy Consultant) Bachelor of Science Degree (Honors), University of Bradford, United Kingdom Diploma in Engineering, German Singapore Institute, Singapore	None	None	None	None	0	

Title	Nationality	Name	Gender	Date of induction	Shares held		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Managers who obtained an employee stock option certificate (shares)	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation		
Financial Accounting Director	Republic of China	Lu, Chin-Yu	Male	2015.12	-	-	-	-	-	-	Audit Team Leader of Ernst & Young Business Financial Service Assistant Manager and Business Manager of Standard Chartered Bank Part-time Lecturer of Mackay Medicine, Nursing and Management College Master of International Finance of the University of Essex	None	None	None	None	0	

Note 1: If the General Manager or the person holding equivalent position (top manager) of the Company is the same person, spouse or the first-degree relative, he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of Independent Directors with more than half of the Directors not concurrently serving as employees or managers, etc.) and other related information : The Chairman and General Manager of the company are the same person, mainly because the company considers that the group scale has been gradually extended to Europe, the United States, Thailand, Philippine and other places. In order to coordinate the group's resource planning, the position of the General Manager was adjusted on Dec. 2015. Ye, Hang, the former General Manager, is the general manager of Kunshan business group. It is necessary and reasonable for the President of the company to concurrently serve as the General Manager of the group to facilitate the integration of the group's decision-making and operation. Additionally, in order to be in line with corporate governance and relevant laws and regulations, the company plans to increase the number of independent directors and directors by Dec. 31, 2023, and half of the directors are not served as employees or managers concurrently.

III. Remuneration for Directors, General Managers and Deputy General Managers in most recent year

1. Remuneration to General Directors and Independent Directors

Dec. 31, 2019 Unit: NT\$ 1,000

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10)		Relevant remuneration received by Directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%) (Note 10)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 11)	
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Remuneration of directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Retirement pension (F)		Employee rewards (G) (Note 6)							
		The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company		All companies listed in the financial statements (Note 7)		The Company	All companies listed in the financial statements (Note 7)		
																		Cash amount	Stock amount	Cash amount	Stock amount		
Director	Hsu, Chi-Feng	0	12,508	0	0	1,926	1,926	0	0	0.74%	5.56%	0	12,335	0	0	1,090	0	1,090	0	1.16%	10.74%	None	
	Chan Kim Seng Maurice																						
	Ye, Hang																						
	Tan, Yong																						
Independent Director	Yang, Rui-Long	1,993	1,993	0	0	722	722	0	0	1.05%	1.05%	0	0	0	0	0	0	0	0	1.05%	1.05%	None	
	Yu, Chi-Min																						
	Lee, Wei-Ming																						
1. Please state the policy, system, standard and structure of remuneration for Independent Directors, and the correlation with the amount according to the responsibilities and duties of the Independent Directors, risks undertaken, time devoted and other factors: The remuneration of Independent Directors of the Company will be determined on the basis of the director performance evaluation results submitted by the Salary and Remuneration Committee by reviewing the degree of participation and contribution of each director in the company's operaion. The connection between performance risks and remuneration with the reference of remuneration standards of peers shall be submitted to the Board of Directors for resolution. 2. Other than disclosure in the above table, Director remunerations received by providing services (e.g. providing consulting services as a non-employee) to companies in the financial statements in the most recent year: None.																							

Range of remuneration

Range of remuneration paid to Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies included in the financial statements (Note 9) I
Less than NT\$ 1,000,000	Hsu, Chi-Feng 、 Chan Kim Seng Maurice 、 Ye, Hang 、 Tan, Yong 、 Yang, Rui-Long 、 Yu, Chi-Min 、 Lee, Wei-Ming	Yang, Rui-Long	Yang, Rui-Long 、 Yu, Chi-Min 、 Lee, Wei-Ming	Yang, Rui-Long 、 Yu, Chi-Min 、 Lee, Wei-Ming
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	-	Tan, Yong 、 Yu, Chi-Min 、 Lee, Wei-Ming	-	-
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	-	-	Tan, Yong	Tan, Yong
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	-	Hsu, Chi-Feng 、 Chan Kim Seng Maurice 、 Ye, Hang	Hsu, Chi-Feng 、 Chan Kim Seng Maurice	-
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	-	-	Ye, Hang	Hsu, Chi-Feng 、 Chan Kim Seng Maurice 、 Ye, Hang
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	-	-	-	-

NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	-	-	-	-
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	-	-	-	-
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	-	-	-	-
More than NT\$ 100,000,000	-	-	-	-
Total	7 persons	7 persons	7 persons	7 persons

Note 1: The names of Directors shall be listed separately (names of institutional shareholders and its representatives shall be listed separately), and general directors and independent directors shall be listed separately. The payment amounts shall be disclosed collectively. If a director concurrently serves as the General Manager or Deputy General Manager, the following table "Remuneration of General Managers and Deputy General Managers" shall be filled in.

Note 2: The amount of the remuneration paid to Directors in the most recent year (including director's salaries, job remuneration, severance, bonuses, and incentives etc.).

Note 3: The amount of the remuneration paid to Directors in the most recent year as approved by the Board of Directors shall be filled in.

Note 4: Business expenses paid out to Directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by Directors who concurrently serve as employees (including as General Manager, Deputy General Manager, other manager and an employee) in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under IFRS 2 "Share-Based Payment", including the warrants obtained by employees, restricted employee stocks and subscription of shares for cash capital increase, shall also be calculated in the remuneration.

Note 6: For Directors who concurrently serve as employees (including general managers, general managers, other managers, and employees) and receive remuneration of employees (including stock and cash) for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

Note 7: Please disclose the aggregate amount of the remuneration to the Company's Directors from the companies included in the financial statements (including the Company).

Note 8: When the aggregate amount of the remuneration to the Company's Directors is disclosed, the name of the Director shall also be disclosed in the relevant interval.

Note 9: When the aggregate amount of the remuneration paid to the Company's Directors from all companies in the financial statements (including the Company) is disclosed, the name of the Director shall also be disclosed in the relevant interval.

Note 10: Net profit after tax refers to the net profit after tax in the individual or parent company only financial statements in the most recent year.

Note 11: a. This column should disclose the amount of remuneration received by the Directors of the Company from other non-subsidiary companies reinvested by the Company or parent company (if no, please fill in "None").

b. If the Directors of the Company receive remuneration from other non-subsidiary companies reinvested by the Company or parent company, the amount of remuneration received by the Directors from other non-subsidiary companies reinvested by this Company or parent company shall be combined into column I of the Table of Range of Remuneration and this column shall be renamed as "Parent Company and All Investment Companies".

c. Remuneration refers to rewards, compensations (including compensation to company employees, Directors or Supervisors) and allowances from professional practice received by the Director from other non-subsidiary companies reinvested by the Company or parent company for their services as Directors, supervisors, or managers.

* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation.

2. Remuneration to supervisors: Not applicable (the Company has set up an audit committee to replace the supervisor)

3. Remuneration to General Managers and Deputy General Managers

Dec. 31, 2019 Unit: NT\$ 1,000

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and Allowances (C) (Note 3)		Employee's remuneration (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 9)
		The Company	All companies listed in the financial statements (Note 5)	The Company	All companies listed in the financial statements (Note 5)	The Company	All companies listed in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies listed in the financial statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Hsu, Chi-Feng	0	17,329	0	0	0	2,648	11,751	0	13,745	0	4.53%	13.00%	None
Business Director	Chan Kim Seng Maurice													
CTO	Ye, Hang													
CMO	Murali Nair													

Range of remuneration

Range of remuneration paid to the General Managers and Deputy General Managers	Name of General Managers and Deputy General Managers	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
Less than NT\$ 1,000,000	Hsu, Chi-Feng 、 Chan Kim Seng Maurice 、 Ye, Hang 、 Murali Nair	Murali Nair
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	-	-
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	-	-
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	-	Hsu, Chi-Feng 、 Chan Kim Seng Maurice
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	-	Ye, Hang
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	-	-
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	-	-
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	-	-
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	-	-
More than NT\$ 100,000,000	-	-
Total	4 persons	4 persons

Note 1: The names of the General Managers and Deputy General Managers shall be listed separately and the amount of remuneration paid to them shall be disclosed collectively. If a director concurrently serves as the General Manager Or Deputy General Manager, this table and the following table "Remuneration of General Directors and Independent Directors" shall be filled in.

Note 2: Please specify the salaries, duty allowances and severance paid to the General Managers and Deputy General Managers in the most recent year.

Note 3: Cash and non-cash compensations to the General Managers and Deputy General Managers in the most recent year, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under IFRS 2 "Share-Based Payment", including the warrants

obtained by employees, restricted employee stocks and subscription of shares for cash capital increase, shall also be calculated in the remuneration.

Note 4: It refers to compensation paid to the General Managers and Deputy General Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year and the amount shall be listed in Table 1-3.

Note 5: Total remuneration to the General Managers and Deputy General Managers of the Company from all the companies (including the Company) in the consolidated financial statements should be disclosed.

Note 6: Total remuneration paid to General Managers and Deputy General Managers by the Company shall be disclosed and the names of the General Managers and Deputy General Managers shall also be disclosed in the corresponding remuneration interval.

Note 7: Total compensation paid to General Managers and Deputy General Managers of the Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The names of the General Manager and Deputy General Managers shall also be disclosed in the corresponding compensation interval.

Note 8: Net income after tax refers to net income after tax listed in the individual and parent company only financial statements.

Note 9: a. This column should disclose the amount of remuneration paid to the General Managers and Deputy General Managers of the Company by other non-subsidary companies reinvested by the Company or parent company (if no, please fill in "None")

b. If the General Managers and Deputy General Managers of the Company receive remuneration from other non-subsidary companies reinvested by the Company or parent company, the remuneration received by the General Managers and Deputy General Managers of the Company from other non-subsidary companies reinvested by the Company or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "Parent Company and All Reinvested Companies."

c. Remuneration refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances paid to the General Managers and Deputy General Managers of the Company who serve as the directors, supervisors, or managers of other non-subsidary companies reinvested by the Company or parent company.

* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation.

4. Names of managers in charge of distributing employee's remuneration and state of distribution

Dec. 31, 2019 Unit: NT\$ 1,000

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Manager	General Manager	Hsu, Chi-Feng	0	13,162	13,162	5.07
	Business Director	Chan Kim Seng Maurice				
	CTO	Ye, Hang				
	CMO	Murali Nair				
	Financial Officer	Lu, Chin-Yu				

Note 1: Names and titles shall be disclosed separately but the amount of profit distributed can be disclosed collectively.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net profit after income tax refers to the one in the most recent year. Where IFRSs are adopted, net profit after tax refers to the net profit after income tax recorded in the entity's or individual or parent company only financial statements.

Note 3: The scope of application for the term "manager" shall follow the approved document with Reference No. Tai Tsai Cheng San Tzu 0920001301 dated Mar. 27, 2003. Its scope of application shall be as follows:

- (1) General Manager and equivalents
- (2) Deputy General Manager and equivalents
- (3) Assistant Manager and equivalents
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other people in charge of the Company's operational affairs and entitled to sign instruments on behalf of the Company.

Note 4: If a director, general manager and deputy general manager received any employee remuneration (including stock and cash), in addition to attached tables "Remuneration Of General Directors and Independent Directors" and "Remuneration Of General Managers and Deputy General Managers", this table shall be filled in additionally.

Note 5: The former general manager of LemTech Precision Material (China) Co., Ltd. was Ye, Hang. On Jun. 29, 2019, the Board of Directors resolved to appoint Li P'eiyu as the new general manager.

5. Compare and state separately on the analysis of the post-tax net profit ratio of total remuneration of the Directors, General Managers and Deputy General Managers of the Company and companies in the consolidated financial statements in the last two years to parent company only or individual financial reports; then, state the policies and standards for payment of remuneration, process of combining and deciding on the amount of remuneration, and correlation with business performance and future risks:
- (1) Ratio of total remuneration paid to the Company's Directors, General Managers and Deputy General Managers in the most recent two years to the net profit after tax:

Unit: %

Title	Total amount to net profit after tax (%)			
	2018		2019	
	The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements
Director	1.89	9.34	2.21	11.79
General Managers and Deputy General Managers	0.35	7.68	4.53	13.00

- (2) The policies, standards, and portfolios for compensation, the procedures for determining compensation, and the correlation with risks and business performance:

The remuneration to Directors of the Company shall be handled reasonably in accordance with the Articles of Association of the Company and given in consideration of the Company's operating results and their contribution to the Company's performance; The remuneration paid to the General Managers and Deputy General Managers of the Company is based on the correlation between the positions they held, the responsibilities they assumed, the operating performance and future risks they undertaken with the reference of the level of peers on similar positions. The procedure for determining remuneration is set up by referring to the "Measures for Distribution of Director Salary and Remuneration" on the basis of the results of director performance evaluation. The overall operating performance of the Company, future operating risks and development trends of the industry shall also be considered to offer reasonable compensation.

IV. Implementation of Corporate Governance

(I) Information on Operation of Board of Directors

The Board held 8 meetings in 2019. The table below shows the attendance of Directors and supervisors:

Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Remarks
Chairman	Hsu, Chi-Feng	8	0	100.00	Reappointed on Jun. 11, 2018
Vice chairman	Chan Kim Seng Maurice	7	1	87.5	Reappointed on Jun. 11, 2018
Director	Ye, Hang	8	0	100.00	Reappointed on Jun. 11, 2018
Director	Tan, Yong	7	1	87.5	Reappointed on Jun. 11, 2018
Independent Director	Yang, Rui-Long	5	3	62.5	Reappointed on Jun. 11, 2018
Independent Director	Yu, Chi-Min	7	1	87.5	Reappointed on Jun. 11, 2018
Independent Director	Lee, Wei-Ming	8	0	100.00	Reappointed on Jun. 11, 2018

Other matters:

1. The date of the board meeting, the term, the content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act

Date and session of the meetings	Proposals	Independent Directors' Opinions	The Company's handling of the opinions of the independent director
2019.01.15 The 7th meeting of the 4th session	1. The proposal of the investment in an electroplating plant in Mainland China	None	None
2019.03.27 The 8th meeting of the 4th session	1. The 2018 "Internal Audit Compliance System Attestation". 2. Amendment to the Internal Control System 3. Amendment to the Articles of Association of the Company 4. Amendment to certain clauses of the "Operational Procedures for Acquisition and Disposal of Assets" 5. Amendment to certain clauses of the "Operational Procedures for Loaning of Company Funds" 6. Amendment to certain clauses of the "Operational Procedures for Endorsements and Guarantees" 7. Stipulation of the "Standard Operating Procedures for Handling Requirements From the Directors"	None	None

Date and session of the meetings	Proposals	Independent Directors' Opinions	The Company's handling of the opinions of the independent director
	8. Amendment to certain clauses of the "Code of Practice for Corporate Governance"		
2019.04.25 The 9th meeting of the 4th session	1. Proposal for setting plant in Philippines 2. Release of Directors from non-compete restrictions	None	None
2019.06.17 The 11th meeting of the 4th session	1. Proposal of subsidiary Lemtech Global Solution Co. Ltd. to increase capital in LemTech Precision Material (China) Co., Ltd. 2. Proposal of subsidiary Lemtech Cooling System Limited to invest in Jimao Lemtech Co., Ltd. 3. The Company's provision of guarantee 4. The Company's loaning of funds to others 5. Release of Managers from non-compete restrictions 6. Release of Directors from non-compete restrictions	None	None
2019.08.12 The 12th meeting of the 4th session	1. The Company's provision of guarantee	None	None
2019.11.13 The 13th meeting of the 4th session	1. Proposal of subsidiary Lemtech Technology Limited to acquire the equities of Aapico Lemtech Co., Ltd. 10% 2. Changes in the capital increase of subsidiary Lemtech Global Solution Co. Ltd. in LemTech Precision Material (China) Co., Ltd. 3. Amendment and revision to internal control measures 4. Release of Managers from non-compete restrictions 5. Release of Directors from non-compete restrictions 6. The Company's provision of guarantee	None	None
2019.12.19 The 14th meeting of the 4th session	1. 2020 Internal Control Audit Plan 2. Amendment to internal control measures 3. The Company's re-investment in establishing module company in Mainland China 4. Proposal of the Company to increase capital in Lemtech Cooling System Limited	None	None

(2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: No independent directors hold objections or reservations to the resolutions.

2. For director recusals due to conflicts of interests, name of Directors, proposal, reason for recusal, and participation in vote or not shall be specified:

Date of the meeting	Proposals	Name of recused Directors	Reasons for recusals and voting:
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Date of the meeting	Proposals	Name of recused Directors	Reasons for recusals and voting:
Apr. 25, 2019	Release of Directors from non-compete restrictions	Hsu, Chi-Feng Chan Kim Seng Maurice	According to provisions of Article 206 of the Company Act, except the Chairman Hsu, Chi-Feng and Vice Chairman Chan Kim Seng Maurice who are not allowed to vote, other Directors attending the meeting voted for approval.
Jun. 17, 2019	Release of Managers from non-compete restrictions	Hsu, Chi-Feng	According to provisions of Article 206 of the Company Act, except the chairman Hsu, Chi-Feng who is not allowed to vote, other Directors attending the meeting voted for approval.
Jun. 17, 2019	Release of Directors from non-compete restrictions	Hsu, Chi-Feng Chan Kim Seng Maurice Ye, Hang	According to provisions of Article 206 of the Company Act, except the chairman Hsu, Chi-Feng, vice chairman Chan Kim Seng Maurice, director Ye, Hang who are not allowed to vote, other Directors attending the meeting vote for approval.
Nov. 13, 2019	Release of Managers from non-compete restrictions	Hsu, Chi-Feng	According to provisions of Article 206 of the Company Act, except the chairman Hsu, Chi-Feng who is not allowed to vote, other Directors attending the meeting voted for approval.
Nov. 13, 2019	Release of Directors from non-compete restrictions	Hsu, Chi-Feng Chan Kim Seng Maurice Ye, Hang	According to provisions of Article 206 of the Company Act, except the chairman Hsu, Chi-Feng, vice chairman Chan Kim Seng Maurice, director Ye, Hang who are not allowed to vote, other Directors attending the meeting vote for approval.

3. TWSE/TPEX Listed Companies shall disclose the information on the evaluation cycle and period, evaluation scope, methods and evaluation contents of Board of Directors' self (or peer) evaluation, and fill in the following table "Implementation of Board of Directors Evaluation".

Implementation of Board of Directors Evaluation

Frequency	Period	Scope	Method	Content
Executed every year	Jan. 1, 2019 to Dec. 31, 2019	Directors, Board of Directors and functional committees	Self-evaluation of Directors is adopted; The Board of Directors and functional committees will be evaluated by the Board of Directors secretary office.	Please see the following for detailed information.

- (1) Self-evaluation of individual Board members: Knowledge about the Company's objectives and tasks, the understanding of director duties, the participation in the Company's operations, the internal relationship management and communication, the professional training and further study of Directors and internal control.
- (2) Board performance evaluation: Participation in the Company's operations, improvement of the quality of board decisions, board composition and

structure, selection and continuing education of directors, and internal control.

- (3) Performance evaluation of functional committees: Participation in the Company's operation, the understanding of the duties of the functional committee, improvement of the decision-making quality of the functional committee, composition of the functional committee, selection of its members, and internal control.

4. Objectives for strengthening the functions of the Board of Directors in the current year and the most recent year (e.g. setting up an audit committee, improving information transparency, etc.) and evaluation of implementation: In order to improve corporate governance and strengthen the relevant functions of the Board of Directors, the Company has set up an audit Committee and a Salary and Remuneration Committee. For implementation status, please refer to [Corporate Governance Operation Status] and [Differences with the Code of Practice on Corporate Governance on TWSE/TPEX Listed Companies and Reasons for Such Differences], and has formulated [Measures for Performance Evaluation of the Board of Directors and Functional Committees] to establish a good governance system for Board of Directors of the Company, perfect supervision and strengthen functions of the Board of Directors.

(II) Operations of Audit Committee:

A total of 8 meetings of the Audit Committee were held in 2019. The attendance of Independent Directors is as follows:

Title	Name	Time of Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Independent Director (Convener)	Yang, Rui-Long	7	1	87.5	Reappointed on Jun. 11, 2018
Independent Director	Yu, Chi-Min	7	1	87.5	Reappointed on Jun. 11, 2018
Independent Director	Lee, Wei-Ming	8	0	100.00	Reappointed on Jun. 11, 2018

Other matters:

1. With regard to the operation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

- (1) Items listed in Article 14-5 of the Securities and Exchange Act:

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
2019.01.15 The 7th meeting of the 4th session	1. The proposal of the investment in an electroplating plant in Mainland China	All audit members approved	None
2019.03.27	1. The 2018 "Internal Audit Compliance System	All audit	None

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
The 8th meeting of the 4th session	Attestation". 2. Amendment to the Internal Control System 3. 2018 Business Report and Consolidated Financial Statements 4. Amendment to the Articles of Association of the Company 5. Amendment to certain clauses of the "Operational Procedures for Acquisition and Disposal of Assets" 6. Amendment to certain clauses of the "Operational Procedures for Loaning of Company Funds" 7. Amendment to certain clauses of the "Operational Procedures for Endorsements and Guarantees" 8. Formation of the "Standard Operating Procedures for Handling Requirements From the Directors" 9. Amendment to certain clauses of the "Code of Practice on Corporate Governance"	members approved	
2019.04.25 The 9th meeting of the 4th session	1. Report on the consolidated financial statement of the first quarter in 2019 2. Proposal of setting plants in Philippines 3. Release of Directors from non-compete restrictions	All audit members approved	None
2019.06.17 The 11th meeting of the 4th session	1. Proposal of subsidiary Lemtech Global Solution Co. Ltd. to increase capital in LemTech Precision Material (China) Co., Ltd. 2. Proposal of subsidiary Lemtech Cooling System Limited to invest in Jimao Lemtech Co., Ltd. 3. The Company's provision of guarantee 4. The Company's loaning of funds to others 5. Release of Managers from non-compete restrictions 6. Release of Directors from non-compete restrictions	All audit members approved	None
2019.08.12 The 12th meeting of the 4th session	1. Report on the consolidated financial statement of the second quarter in 2019 2. The Company's provision of guarantee	All audit members approved	None
2019.11.13 The 13th meeting of the 4th session	1. Report on the consolidated financial statement of the third quarter in 2019 2. Proposal of subsidiary Lemtech Technology Limited to acquire the equities of Aapico Lemtech Co., Ltd. 10% 3. Changes in the capital increase of subsidiary Lemtech Global Solution Co. Ltd. in LemTech Precision Material (China) Co., Ltd. 4. Amendment and revision to internal control measures 5. Release of Managers from non-compete restrictions 6. Release of Directors from non-compete restrictions 7. The Company's provision of guarantee	All audit members approved	None

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
2019.12.19 The 14th meeting of the 4th session	1. 2020 Internal Control Audit Plan 2. Amendment to internal control measures 3. The Company's re-investment in establishing module company in Mainland China 4. Proposal of the Company to increase capital in Lemtech Cooling System Limited	All audit members approved	None

(2) Except for the previous matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all Directors: The Company has no matter that had not approved by the Audit Committee but been approved by more than two-thirds of all Directors.

2. Regarding recusals of independent directors due to conflicts of interests: The Company does not have any circumstances under which Independent Directors should withdraw from a proposal due to conflicts of interests.
3. Communication between Independent Directors and Internal Audit Supervisors and Accountants (communication on material matters, methods and results of the Company's financial and business conditions, etc.): The Company's internal audit supervisor regularly conducts audit reports and discussions with the members of the Audit Committee. Members of the Audit Committee and the Internal Audit Supervisor have a good communication. The Company's certified public accountants communicate with the members of the Audit Committee on the results of the audit or review of the financial statements and other matters required by relevant laws and regulations. The members of the Audit Committee of the Company and the certified public accountants have a good communication.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof :

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated and disclosed the "Code of Practice on Corporate Governance of the Company" on the Company's website and public information observation station in accordance with the "Code of Practice on Corporate Governance on TWSE/TPEX Listed Companies".	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
II. Shareholding structure & shareholders' rights (I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and does the Company implement the procedures in accordance with the procedure? (II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies? (IV) Has the Company established internal rules against insiders using undisclosed information to trade with marketable	✓		(I) The Company has appointed a special stock affairs agency to handle stock affairs, and has formulated "Procedures for Spokesmen and Acting Spokesmen" on spokesmen and acting spokesmen's handling of shareholder proposals. (II) The Company has mastered the list of major shareholders who actually control the Company and the final controllers of the major shareholders, and regularly tracks and understands them when reporting monthly equity changes. (III) In addition to the provisions of the FSC's "Guidelines for the Establishment of Internal Control Systems for Publicly Issued Companies" and "Code of Practice on Corporate Governance for TWSE/TPEX Listed Companies", the Company has also formulated "Supervision and Management of Subsidiaries" and "Related Party Transaction Management" to form a risk control mechanism. Asset management among the related enterprises is independent, and the risk control mechanism and firewall mechanism are implemented accordingly. (IV) The Company has formulated the "Procedures for Management of Internal Material Information Processing and Prevention of	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
securities?			Insider Trading" stipulating that no one shall not use the undisclosed information he/she knows to engage in insider trading or disclose it to others, so as to prevent others from using the undisclosed information to engage in insider trading.	
III. Composition and responsibilities of the Board of Directors (I) Has the Board developed, and does it implement, a diversity policy for the composition of its members? (II) In addition to the legally-required Salary and Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees? (III) Has the Company set up	✓		(I) The Company has formulated the [Code of Practice on Corporate Governance] and disclosed the diversification policy on the Company's website and public information observation station. Directors Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang and Tan, Yong have experience in operation management and actual operation management. Independent Director Lee, Wei-Ming has the professional knowledge on financial planning and financial report review. Independent Director Yu, Chi-Min has the professional knowledge on e-Commerce Law. Yang, Rui-Long, an independent director, has the professional knowledge on overall economics. (II) The Company has set up a Salary and Remuneration Committee and an Audit Committee, without any other functional committees for the time being, which might be set up as appropriate in the future. (III) The Company has passed a	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
any method and form for performance evaluation of Board of Directors, conduct performance evaluation on an annual and regular basis, and report the results of the performance evaluation to the Board of Directors and apply them to the remuneration of individual Directors and the reference for nomination for renewal? (IV) Does the Company regularly evaluate the independence of the CPAs?			resolution of the Board of Directors on Nov. 13, 2019 to set out the [Performance Evaluation Measures for the Board of Directors and Functional Committees]. The evaluation method adopts self-evaluation of Directors, and the Board of Directors and functional committees are evaluated by the Secretary Office of the Board of Directors. The results of the 2019 performance evaluation of the Board of Directors and Functional Committees have been submitted to the Board of Directors on Mar. 25, 2020. (IV) The Company regularly evaluates the independence and competency of certified public accountants. The certified public accountants and certified public accountants elected by the Company have no interest in the Company and strictly observe independence and have not served as Directors or Independent Directors or managers of the Company, who are not shareholders of the Company, and have not paid salaries in the Company. Moreover, the same certified public accountant has not been appointed for seven consecutive years, so the independence of the certified public accountant is in conformity with the law.	
IV. Are TWSE/TPEX Listed Companies provided with competent and appropriate number of corporate governance personnel, has a corporate governance supervisor been appointed to	✓		The Company designates the management department to be concurrently responsible for corporate governance and corporate governance-related affairs, including providing the information required by Directors to carry out business,	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
be responsible for corporate governance-related affairs (including but not limited to providing the information required by Directors and supervisors to carry out business, assisting Directors and supervisors to comply with laws and regulations, handling relevant matters of Board of Directors and shareholders' meeting according to law, and making minutes of Board of Directors and shareholders' meeting, etc.)?			handling relevant matters of Board of Directors and shareholders' meeting according to law, handling company registration and change registration, making minutes of Board of Directors and shareholders' meeting, etc. Although the Company has not yet reached the mandatory standard for setting up a corporate governance supervisor, the Company has planned to set up a corporate governance supervisor.	
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the Company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?	✓		The Company has a spokesman system and a "special section for interested parties" on the Company's website. interested parties can contact the Company by telephone, letter, fax and e-mail if necessary.	No deviation
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed [CTBC Bank Agency Department] to be responsible for handling stock affairs.	No deviation
VII. Information disclosure (I) Has the Company established a website to disclose information on financial operations and corporate governance?	✓		(I) The Company has set up websites in both Chinese and English, which disclose financial, business, and corporate governance information. The website: http://www.lemtech.com , with designated personnel maintaining and updating the website information.	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)? (III) The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.			(II) The Company has established "Operating Procedures for Spokesmen and Acting Spokesmen", the relevant questions shall be answered by the spokesmen or acting spokesmen, and the relevant business departments shall be responsible for the collection and disclosure of company information; The information of the legal person explanation meeting has been placed on the Company's website for investors' reference; the Company enters the latest financial and business information about the Company on the designated information reporting website in accordance with the laws and regulations. (III) The Company shall report the financial reports for the first, second and third quarters and the operating conditions for each month in accordance with the provisions of "Business Matters to be Carried out by Listed Securities Issuers".	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and supervisors' training records,	✓		1. Employee benefits: The Company is governed by the labor laws of various countries. Please refer to page 109 to 112 of this annual report for other employee welfare measures, retirement system, further education and various employee rights and interests. 2. Employee Care: In order to facilitate communication with employees, the Company	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and supervisors)?			provides diversified communication channels to ensure real-time transmission and transparency of information and to allow employees to fully express their suggestions to the Company as the basis for improvement of various measures. 3. Investor relations: The Company attaches great importance to the rights and interests of investors. In addition to announcing the information on MOPS designated by the competent authority in accordance with relevant regulations, the Company also places relevant information on the Company's website. 4. Rights of interested parties: In order to protect the rights of interested parties, the Company has set up spokesmen and deputy spokesmen to respond to investors' questions and handle them properly in good faith and with a responsible attitude. 5. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with law and regulations. 6. Implementation of customer policies: In order to provide all-round service and protection to customers, the Company communicates with customers in real time to understand their needs in response to customer complaints, so as to facilitate the interaction between the Company	

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			and customers, and conduct meeting review and improvement within the Company. 7. Directors or supervisors' further education: The status of Director and Supervisor further education is stated in the following table and has been announced on MOPS. 8. The Company purchases liability insurance for Directors and supervisors: The Board of Directors of the Company purchased the insurance for Directors and managers on Mar. 25, 2020, with the insured amount of US\$ 3 million.	
IX. Please provide information on the status of improvement regarding the results of Corporate Governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements that are yet to be implemented, state the areas and policies the Company has set as a priority for improvement: The evaluation result of the company in 2019 is 66~80% of the overall evaluation companies. The matters yet to be improved include: implementing the diversification policy of the Board of Directors, setting up the corporate governance director, promoting and implementing concrete plan of corporate social responsibility, and preparing the corporate social responsibility report.				

Schedule. Directors or Supervisors' Further Education:

Title	Name	Training date	Organizer	Course	Hours of Courses
Chairman	Hsu, Chi-Feng	Dec. 19, 2019 and Dec. 20, 2019	Taiwan Corporate Governance Association	Director and Supervisor Complete Strategy on Information Security and the Impact of Sino-US Trade War on Taiwan-funded Enterprises and Countermeasures	6
Vice chairman	Chan Kim Seng Maurice				
Director	Ye, Hang				
Director	Tan, Yong				
Independent Director	Yang, Rui-Long				
Independent Director	Yu, Chi-Min	Apr. 19, 2019	Taiwan Corporate Governance Association	Financial Technology and Financial Supervision Practice and Case Study	3
		Sep. 06, 2019	Taiwan Corporate Governance Association	Trend and Risk Management for Digital Technology and Artificial Intelligence	3
		Oct. 25, 2019	Securities and Futures Institute	2019 The prevention of insider trading seminar	3
Independent Director	Lee, Wei-Ming	Sep. 20, 2019	Taiwan Corporate Governance Association	The Influence of Economic Substantive Law and Global Anti-tax Avoidance on Corporate Governance from the Perspective of Directors and Supervisors	3
		Nov. 1, 2019		Critical Audit Matters and Countermeasures that the Board of Directors Shall Understand	3

(IV) If the Company has set up a Salary and Remuneration Committee, it shall disclose its composition, responsibilities and operation:

1. Information on Members of Salary and Remuneration Committee

Identity	Name	Meets one of the following professional qualifications, with at least five years of work experience			Status of Independence (Note 1)										Number of other public companies where the individual concurrently serves as a member of Salary and Remuneration Committee	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 has been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Yang, Rui-Long	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yu, Chi-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lee, Wei-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please tick "✓" for the conditions if the Members who meet the below-mentioned conditions in two years prior to the nomination and during his/her term of service.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not serving as a Director or Supervisor of the Corporation or any related companies (this does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not the managers listed in (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor or employee of corporate shareholders who directly hold more than 5% of the total number of issued shares of the Company, rank top five in shareholding, or appoint a representative as a director or supervisor of the Company in accordance with Article 27-1 or 27-2 of the Company Act (Independent Directors of the Company and its parent company, subsidiary company or subsidiary company of the same parent company established in accordance with this Act or local laws shall not be subject to the provisions).
- (6) Not concurrently a supervisor or employee of other companies controlled by the same person who serves as the director or holds more than half of voting shares of the Company (Independent Directors of the Company or its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or local laws shall not be subject to this provision).
- (7) Not a director (member), supervisor or employees of other companies or institutions for a person or spouse serving as the chairman, general manager or equivalent post of the Company (Independent Directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Act or local laws shall not be subject to this provision).
- (8) Not a director (member), supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the Company (however, any specific company or institution holding more than 20% and less than 50% of the total number of issued shares of the Company and the directors concurrently serve as independent directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws shall not be subject to this provision).
- (9) Not a professional, proprietorship, partnership, business owner of a firm or institution, partner, director (member), supervisor, manager and spouse of any of the above who provide commercial, legal, financial, accounting and other related services for the Company or its affiliated enterprises or had obtained no more than NT\$ 500,000 cumulative remuneration in the past two years. However, members of the salary and remuneration committee, public acquisition review committee, or the special committee of merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) No condition defined in Article 30 of the Company Act has appeared.

2. Responsibility of the Salary and Remuneration Committee
 - (1) The Company's Salary and Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the Board of Directors:
 - a. Establishes and periodically reviews compensation policies, system, standards, and structure, as well as the performance evaluation of Directors and managers.
 - b. Periodically evaluates and establishes compensations and pays for Directors and managers.
 - (2) The Company's Salary and Remuneration Committee shall perform the duties in preceding paragraph in accordance with the following principles:
 - a. The Directors' and manager' performance evaluation and remuneration should refer to the general standards in the sector and take into account the reasonable connection to individual performance, management performance, and future risks.
 - b. Directors and managers shall not be encouraged to engage in risky behaviors unacceptable to the Company for the pursuit of remuneration.
 - c. The proportion of dividends for Directors and senior managers for short-term performance and the timing of issuing variable pay shall be determined based on the characteristics of a given sector and the nature of the Company's business.
3. Information on Operation of Salary and Remuneration Committee
 - (1) The Company's Salary and Remuneration Committee is comprised of three members.
 - (2) Service term for members of the current committee: From Aug. 9, 2018 to Jun, 10, 2021, the Salary and Remuneration Committee convened three meetings in 2019. The following outlines the qualifications of the committee members and attendance:

Title	Name	Time of Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Independent Director (Convener)	Yu, Chi-Min	2	0	100.00	Reappointed on Aug. 9, 2018
Independent Director	Lee, Wei-Ming	2	0	100.00	Reappointed on Aug. 9, 2018
Independent Director	Yang, Rui-Long	2	0	100.00	Reappointed on Aug. 9, 2018
Other matters:					
I. If the Board of Directors does not adopt or wishes to amend the proposals of the Salary and Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Salary and Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Salary and Remuneration Committee and the reason): None.					
II. Where resolutions of the Salary and Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None					

(V) Implementation of Corporate Social Responsibility and Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	✓		The Company has formulated the "Corporate Social Responsibility Code of Practice" and set up a unit to be concurrently responsible for the proposal and execution of social responsibility, systems and relevant management policies and specific promotion plans; the Company has conducted risk assessment on environmental, social and corporate governance issues related to the Company's operations, and has established an environmental management and safety management system to effectively identify relevant risks and implement control.	No deviation
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		The Company designated the Management Department to be responsible for promoting corporate social responsibility, and the Board of Directors authorized senior management to deal with it, and reported the situation to the Board of Directors.	No deviation
III. Environmental Issues (I) Has the Company established environmental management systems proper to its industry's characteristics?	✓		(I) The Company passed the Environmental Management System Certification (ISO 14001 : 2015) on Apr. 29, 2014, with a validity period from Apr. 29, 2017 to Apr. 28, 2020. At present, due to the impact of the global new coronavirus epidemic, the validity period of the certificate is extended to Oct. 29, 2020, and the Company will handle it according to the above environmental	No deviation

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment? (III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures? (IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?			management system. (II) The Company has established provisions on conflict material management in "Conflict Mineral Control Procedures". (III) During the factory construction process, the Company will provide an air compressor heat energy recovery system for heating in workshops in winter and effectively reducing energy consumption. In summer, the Company advocates air conditioning temperature control, so as to make rational use of energy; the Company also advocates water conservation, electricity consumption and paperless operation to achieve the goal of energy conservation and carbon reduction. (IV) The Company has formulated energy control procedures to effectively control the rational use of water, electricity and gas, and to avoid waste reduction. In addition, the Company has also added an air compressor heat energy recovery system to supply heating for some workshops in winter, so as to effectively reduce energy consumption.	
IV. Social Issues (I) Has the Company formulated management policies and procedures following relevant regulations and international human rights	✓		(I) The Group attaches great importance to the rights and interests of all its employees, and abides by the labor laws and regulations of various operating countries, and has established	No deviation

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
treaties? (II) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance? (III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis? (IV) Has the Company established effective career development and training plans for its employees?			"Procedures for the Management of Business Conduct and Ethical Standards". (II) The Company has formulated "Salary Management Rules" and "Employee Handbook" to clarify issues such as salary, performance, various benefits and rewards and punishment systems, and regularly make corresponding adjustments in accordance with relevant laws and market demands. The Group provides employees with leave in accordance with local national laws and regulations of each subsidiary, and various gift subsidies. In addition, to enhance understanding and integration among employees, the Group organizes various cultural and self-organized activities and other employee welfare measures. If the Company makes profits, it will share the operating results with its employees in accordance with the Company's dividend policy. (III) The Company has provided a safe and healthy working environment for its employees, and has formulated "Processing Safety Operation Guidelines" and "Safety Management Measures" to track and improve work-related accidents and provide or subsidize health checks for employees. (IV) The Company has established an "Annual Training Plan" to enhance the personal accomplishment and professional ability of employees through systematic training and adopt a rotation system to cultivate certain personnel and explore their personal expertise and make corresponding adjustments to their	

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures? (VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?			careers. (V) The Company has established a "Management Procedure for Customer Information" to effectively control customer information and establish a [Customer Complaint and Return Control Procedure] in accordance with customer requirements. As the Company is a component manufacturer whose products are not directly facing consumers, no consumer rights policy for it has been formulated. (VI) The Company has established a "Management Procedure for Relevant Parties" and requires suppliers to provide raw materials free of harmful substances. The Company has signed an EICC commitment letter for suppliers, clearly specifying that their internal management should conform to relevant policies and regulations of environmental protection, safety and EICC.	
V. Did the Company, following internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	At present the Company does not have any corporate social responsibility reportage.	Related matters are still being planned
VI. If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has formulated the "Corporate Social Responsibility Code of Practice" and the management team has followed it to implement the operation and promotion of corporate social responsibility. There is no significant deviation.				

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
VII. Other important information to facilitate better understanding of the Company's Corporate Social Responsibility practices:				
(I) Human rights: The Company attaches great importance to human rights and ensures all individuals enjoy equal rights to work regardless of race, sex and age and provide them with opportunities for free expression and development.				
(II) Safety and hygiene: With zero disaster as the goal, the Company is committed to the promotion of safety and health policies and continuous improvement of process and operating environment, aiming at the goal of occupational safety and health through joint efforts of all employees.				
(III) Staff Health Care: The Company carries out health checks for employees to let them know their health status on a regularly basis, so that they can protect and strengthen their physical and mental health. In order to control the actual working environment of employees and assess the exposure of hazardous factors in the workplace, the Company regularly carries out work environment inspection to improve the workplace environment.				

(VI) The performance of the Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation items	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies? (II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Code of Good Faith Operation of TWSE/TPEX Listed Companies"? (III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓		(I) The Company has clearly set out the principles and procedures of honest operation in its "Operating Procedures and Conduct Guidelines for Honest Business". The Board of Directors and management will regard honesty as the Company's operating philosophy. (II) The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" and specifically regulated the handling procedures for how relevant personnel of the Company prevent dishonest behaviors and violations. (III) The Company has clearly defined the operating procedures, guidelines for conduct, disciplinary and complaint systems for any violation against the [Operating Procedures and Conduct Guidelines for Honest Business] and encourages employees to report any violations of laws or ethical codes of conduct. the Company will timely advocate relevant personnel with high	No deviation

Evaluation items	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			risk of dishonest conduct within the business scope to prevent the occurrence of dishonest conduct.	
II. Fulfillment of Ethical Corporate Management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs	✓		(I) The Company evaluates the integrity records of the cooperative manufacturers or customers and specify the relevant contents and precautions of integrity transactions in the commercial contracts. (II) The Company appoints the management department to be concurrently responsible for promoting the integrity of the enterprise, revising and implementing these operating procedures and guidelines, and reporting regularly to the chairman of the board. (III) The Company has formulated policies to prevent conflicts of interest, provided appropriate reporting channels in the "Operating Procedures and Conduct Guidelines for Honest Business" and has implemented them. (IV) In order to ensure the implementation of ethical corporate management, the Company has established an effective accounting system and internal control system, and internal auditors regularly check the compliance of various systems.	No deviation

Evaluation items	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educational training on ethical corporate management?			(V) The Company conducts education courses on integrity management from time to time.	
III. Status of enforcing whistle-blowing systems in the Company (I) Has the Company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused? (II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling?	✓		(I) The Company has incorporated integrity management into its staff performance appraisal and human resources policies, and has established a clear and effective reward and punishment and complaint system. The reporting and accepting units are the Management Department and the Auditing Office. (II) The Company has established standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms in the "Operating Procedures and Conduct Guidelines for Honest Business". (III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. the Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.	No deviation
IV. Enhanced disclosure of corporate social responsibility information Does the Company disclose its	✓		The Company has provided	No deviation

Evaluation items	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
ethical corporate management policies and the results of its implementation on the Company's website and MOPS?			relevant information on the ethical corporate management policies on the Company's website and annual report for investors' reference.	
V. Where the Company has stipulated its own ethical corporate management best practices according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any differences between the prescribed best practices and the actual activities taken by the Company: The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" in accordance with the ethical corporate management principles. There is no significant deviation in its operation and implementation, and the implementation state is normal.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g. review and amend its policies). (if the Company reviews and amends its code of good faith, etc.) In order to establish a good corporate culture, sound development and good business operation mode, the Board of Directors has decided to adopt the "Operating Procedures and Conduct Guidelines for Honest Business", specifying that the Directors, Managers, employees or anyone with substantial control ability of the Company shall not directly or indirectly offer, promise, demand or accept any improper benefits or do other dishonest behaviors that violate good faith, illegal or fiduciary obligations in the process of engaging in business activities in order to obtain or maintain benefits.				

(VII) If the Company has formulated any corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed:

The Company has formulated relevant regulations such as "Rules of Procedure for Shareholders' Meetings", "Procedures for Selecting Directors", "Rules on the Scope of Duties of Independent Directors", "Code of Ethical Conduct for Directors and Managers" and "Operating Procedures and Conduct Guidelines for Honest Business" and other relevant regulations. the Company operates in accordance with the spirit of corporate governance and implements relevant norms of corporate governance. the Company has also promoted the operation of corporate governance by revising relevant management measures, enhancing information transparency and strengthening the functions of the Board of Directors. Relevant regulations have been posted on the Company's website for shareholders reference.

(VIII) Other Important Information Regarding Corporate Governance

1. The Company has a "Code of Ethical Conduct for Directors and Managers" to guide the conduct of Directors and managers of the Company to conform to ethical standards and to enable the Company's stakeholders to better understand the Company's ethical standards. In addition, the Company also has "Rules of Procedure of the Board of Directors" which stipulate the recusals of Directors to protect the interests

of the Company and the investing public.

2. In order to encourage shareholders to participate in the shareholders' meeting, the Company not only accepts shareholders' proposals in the shareholders' meeting every year according to laws and regulations, but also announces that shareholders can exercise voting rights in writing. Please refer to the Public Information Observatory for the methods of exercise and implementation.

(IX) Implementation of the internal control system
1. Statement of Internal Control System

Lemtech Holdings Co., Limited
Statement of Internal Control System

Date: Mar. 25, 2020

The Company hereby states the results of the self-evaluation of the internal control system for 2019 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the "Regulations" divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the "Regulations".
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of such evaluation, the Company believes that, as of Dec. 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Board of Directors of the Company on Mar. 25, 2020. Among the seven Directors present, none of them has any objection. The rest agree with the contents of this statement and make this statement.

Lemtech Holdings Co., Limited

Chairman: Hsu, Chi-Feng

General Manager: Hsu, Chi-Feng

2. Entrust the accountant project to review the internal control system: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report

1. Material resolutions from the 2019 Shareholders' meetings and implementation status

Date	Important resolutions	Implementation status
2019.06.17 Annual Shareholders Meeting	Approval of 2018 Business Report and Consolidated Financial Statements	Adopted through resolution.
	Approval of 2018 Annual Surplus Distribution	The resolution was passed, setting Aug. 21, 2019 as the base date for ex-dividend and Sep. 20, 2019 as the date for cash and stock dividends (cash dividends of NT\$2.49856391 per share and stock dividends of NT\$199.885092 shares per thousand shares).
	Issuance of new shares through 2018 surplus to capital increase	
	Adoption of amendment to Articles of Association of the Company	The resolution was passed and Cayman's registration was completed on Jun. 27, 2019.
	Adoption of the revision to "Procedures for Obtaining or Disposing Assets"	The resolution is passed and implemented according to the resolution of the shareholders' meeting.
	Adoption of the revision to "Operating Procedures for Loan of Funds to Others"	The resolution is passed and implemented according to the resolution of the shareholders' meeting.
	Adoption of the revision to "Endorsement and Guarantee Procedures"	The resolution is passed and implemented according to the resolution of the shareholders' meeting.
	Adoption of the Release of Directors from non-compete restrictions.	The resolution is passed and implemented according to the resolution of the shareholders' meeting.

2. Important Resolutions of the Board of Directors for 2019 and Up to the Date of Publication of the Annual Report

Date	Important resolutions
2019.01.15	1. Adoption of the Company's proposal to invest an electroplating plant in Mainland China 2. Adoption of the Company's application for bank financing
2019.03.27	1. Adoption of the Company and its Taiwan branch's application for bank financing

Date	Important resolutions
	2. Adoption of the 2018 "Internal Audit Compliance System Attestation". 3. Adoption of Amended the Internal Control System 4. Adoption of 2018 Salary Distribution Plan for Employees and Directors 5. Adoption of 2018 Business Report and Consolidated Financial Statements 6. Adoption of 2018 Earnings Distribution Plan 7. Adoption of the issuance of new shares by transferring surplus to capital increase in 2018 8. Adoption of the revision to the Company's Articles of Association 9. Adoption of the amendment to certain clauses of the "Operational Procedures for Acquisition and Disposal of Assets" 10. Adoption of the amendment to certain clauses of the "Operational Procedures for Loaning of Company Funds" 11. Adoption of the amendment to certain clauses of the "Operational Procedures for Endorsements and Guarantees" 12. Adoption of the stipulation to "Standard Operating Procedures for Handling Requirements From the Directors" 13. Adoption of the revision to certain clauses of the "Code of Practice on Corporate Governance" 14. Adoption of the agenda for the 2019 ordinary shareholders' meeting and related matters concerning shareholders' proposal rights
2019.04.25	1. Adoption of the Company's proposal for setting plants in Philippines 2. Adoption of the Release of Directors from non-compete restrictions
2019.05.08	1. Adoption of the Company's plan for not distributing surplus in the first quarter of 2019
2019.06.17	1. Adoption of new shares and cash dividends through capital increase from surplus of the Company 2. Adoption of subsidiary Lemtech Global Solution Co. Ltd's proposal to increase the capital of Lemtech Precision Material (China) Co., Ltd. 3. Adoption of proposal of Subsidiary Lemtech Cooling System Limited to invest in Jimao Lemtech Co., Ltd. 4. Adoption of the Company's application for bank financing 5. Adoption of the Company's provision of guarantee 6. Adoption of the loaning of company funds 7. Adoption of the release of managers from non-compete restriction 8. Adoption of the release of Directors from non-compete restrictions
2019.08.12	1. Adoption of the Company's proposal for not distributing surplus in the second quarter of 2019 2. Adoption of the Company's consideration of changes in business order and reviewing of Link'ou land planning 3. Adoption of the Company and its Taiwan branch's application for bank financing 4. 4. Adoption of the Company's provision of guarantee
2019.11.13	1. Adoption of the Company's plan for not distributing surplus in the third quarter of 2019 2. Adoption the acquisition of 10% equities of AapicoLemtech Co., Ltd.

Date	Important resolutions
	By subsidiary Lemtech Technology Limited 3. Adoption of the changes in capital increase of subsidiary Lemtech Global Solution Co. Ltd. Capital in LemTech Precision Material (China) Co., Ltd. 4. Adoption of amendment and revision to internal control measures 5. Adoption of the release of managers from non-compete restriction 6. Adoption of the release of Directors from non-compete restrictions 7. Adoption of the correction to the Company and Taiwan Branch's application to bank for financing quota 8. Adoption of the Company's provision of guarantee
2019.12.19	1. Adoption of the 2020 Budget 2. Adoption of 2020 internal control audit plan 3. Adoption of the Amendment of Internal Control Measures 4. Adoption of the Company's proposal to re-invest and set module company in Mainland China 5. Adoption of the Company's proposal to increase capital in Lemtech Cooling System Limited
2020.03.25	1. Adoption of the remuneration distribution plan for employees and Directors in 2019 2. Adoption of 2019 Business Report and Consolidated Financial Statements 3. Adoption of the 2019 Earnings Distribution Plan 4. Adoption of the 2019 "Internal Audit Compliance System Attestation". 5. Adoption of the Internal Control Measures 6. Adoption of Application for Financing Quota through Company and Bank 7. Adoption of the agenda for the 2020 ordinary meeting of shareholders and the proposal rights of shareholders 8. Adoption of the Company's credit and shareholders' rights and interests, it is planned to buy the Company's shares for the second time in accordance with the law and handle the case of removing the shares. 9. Adoption of the Company's proposal to issue the third domestic unsecured convertible corporate bond 10. Adoption of the Company's change to the source of the debt repayment funds in the second domestic unsecured convertible corporate bond
2020.05.13	1. Adoption of the earnings distribution for Q1, 2020 2. Adoption of the base date for the second reduction of capital for stock repurchase 3. Adoption of the company and its Taiwan branch's application for bank financing 4. Adoption of the company's provision of guarantee

(XII) Any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding key resolutions of the Directors' Meeting in the

most recent year up to the publication date of this report: None. None.

- (XIII) During the most recent year and up to the publication date of the annual report, the resignation and dismissal of the Company's personnel including Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor: None.

V. Information on CPA Fees

Range of CPA Fees in 2019

CPA firm	Name of CPAs		Audit period	Remarks
Deloitte & Touche	Chih, Jui-Chuan	Lee, Li-Huang	Jan. 1, 2019 to Mar. 31, 2019	
	Chih, Jui-Chuan	Lee, Li-Huang	Apr. 1, 2019 to Jun. 30, 2019	
	Lee, Li-Huang	Chih, Jui-Chuan	Jul. 1, 2019 to Sep. 30, 2019	Internal adjustment from the accounting firm.
	Lee, Li-Huang	Chih, Jui-Chuan	Oct. 1, 2019 to Dec. 31, 2019	

Note: If the Company has replaced the CPAs or accounting firm in the current year, the audit period shall be listed separately, and the reason for replacement shall be stated in the Remark column.

Unit: NT\$ 1,000

Range of fees		Category of fees	Audit fees	Non-audit fees	Total
1	Under NT\$2,000,000			✓	
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand		✓		✓
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand				
6	More than NT\$10,000 (inclusive)				

Unit: NT\$ 1,000

CPA firm	Name of CPAs	Audit fees	Non-audit fees					Audit period	Remarks
			System Design	Business Registration	Human Resource	Other (Note 2)	Subtotal		
Deloitte & Touche	Lee, Li-Huang Chih, Jui-Chuan	3,090	0	0	0	310	310	Jan. 1, 2019 Dec. 31, 2019	Computer audit tax certificate

Note 1: Where the Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for

the replacement shall be provided in the Notes section accordingly. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Non-audit fees shall be listed separately based on service items. If "Other Fees" in non-audit fees reaches 25% of total non-audit fees, the contents of the non-audit services shall be specified in remark column.

- (I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: the Company did not meet the disclosure standard.
- (II) Where the Company changed the accounting firm and the audit fees paid for the year of change was less than that of the prior year, the amount of audit fees before and after the change and reasons shall be disclosed: None.
- (III) Where accounting fee paid for the current year was more than 10% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

VI. Information Regarding Replacement of CPAs

(I) Regarding the former CPA

Change date	November 09, 2018		
Change reasons and explanations	Due to the internal adjustment of Deloitte & Touche, the Company’s CPA was changed from Lin, Yi-Hui to Chih, Jui-Chuan from the third quarter of 2018.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		CPA
	Status	The Company	
	The Company terminated the appointment.	Not applicable	Not applicable
	The CPA rejected being appointed.	Not applicable	Not applicable
Opinions and reasons of the audit report except for unqualified opinions issued within the last two years	Not applicable		
Having different opinions from the issuer?	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	NA	✓	
	Notes		

Other Revealed Matters (according to Sub-item 4~7 of Item 1, Paragraph 6, Article 10 of these principles)	NA
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(II) Regarding the succeeding CPA

CPA Firm	Deloitte & Touche
CPA	Chih, Jui-Chuan
Date of appointment	November 9, 2018 approved by the Boarding Meeting of the Company
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	NA
Succeeding CPA's written opinion of disagreement toward the former CPA	NA

(III) Former accountant's response to Item 1 and Sub-item 3 of Item 2, Paragraph 6,
Article 10 of these principles: Not applicable due to internal job adjustment of CPA
firm.

**VII. The Company's Chairman, General Manager, or any manager in charge of finance
or accounting operations who has, in the most recent year, held a position at the
accounting firm of its CPA or at a related company: None.**

VIII. Equity transfer or changes to equity pledge of Directors or Managers holding more than ten percent (10%) of company shares during the year prior to the publication date of this report

(I) Change in shareholding by Directors, Managers, and substantial shareholders

Title	Name	2019		Current year as of Apr. 17, 2020	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman And General Manager	Hsu, Chi-Feng	1,205,906	600,000	50,000	400,000
Vice chairman And Business Director	Chan Kim Seng Maurice	855,208	0	0	0
Director And CTO	Ye, Hang	832,921	0	0	0
Director	Tan, Yong	348,599	0	0	0
Independent Director	Yang, Rui-Long	0	0	0	0
Independent Director	Yu, Chi-Min	0	0	0	0
Independent Director	Lee, Wei-Ming	0	0	0	0
CMO	Murali Nair	0	0	0	0
Financial Accounting Director	Lu, Chin-Yu	2,399	0	6,000	0

(II) Information on the counterpart of equity transfer being a related party of the Company's Directors, supervisors, managers and major shareholders: None.

(III) Information on the counterpart of equity pledge being a related party of the Company's Directors, supervisors, managers and major shareholders: None.

IX. Relationship information, if among the Company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another

Apr. 17, 2020 Unit: Share, %

Name	Current shareholding		Spouse & minor shareholding		Total shareholding by nominees		Among ten largest shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relation	
Hsu, Chi-Feng	7,288,906	15.35	0	0	0	0	None	None	
Chan Kim Seng Maurice	5,133,708	10.81	0	0	0	0	None	None	
Ye, Hang	4,999,921	10.53	0	0	0	0	None	None	
Tan, Yong	2,092,599	4.41	0	0	0	0	None	None	
Liao Mu	1,661,658	3.50	0	0	0	0	None	None	
HSBC in custody for Morgan Stanley & Co. International Plc	1,542,053	3.25	0	0	0	0	None	None	
LiaoZhou, Jin-Lian	1,206,295	2.54	0	0	0	0	None	None	
Zhaoxing Investment Co., Ltd. Principal: Chen, Li-Bai	856,315	1.80	0	0	0	0	None	None	
	0	0	0	0	0	0	None	None	
LGT Bank AG	731,890	1.54	0	0	0	0	None	None	
Yang Ming Management Consulting Co., Ltd. Principal: Cai, Zhong-Xin	627,539	1.32	0	0	0	0	None	None	
	0	0	0	0	0	0	None	None	

X. Number of Shares Held and Combined Shareholding Ratio in the Same Reinvested Business by the Company, the Company's Directors, Managers, and Companies Directly or Indirectly Controlled by the Company

Dec. 31, 2019 Unit: Shares; %

Reinvested Company	Investment by the Company		Investment by Directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio
Lemtech Global Solution Co. Ltd.	2,500,000	100	0	0	2,500,000	100
LemTech Precision Material (China) Co., Ltd.	126,000	0.2	62,874,000	99.8	63,000,000	100
LDC Precision Engineering Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Lemtech Technology Limited	0	0	(Note 1)	100	(Note 1)	100
Lemtech Precision Material (Czech) s.r.o.	0	0	(Note 1)	100	(Note 1)	100
Lemtech USA Inc.	0	0	(Note 1)	100	(Note 1)	100
Aapico Lemtech (Thailand) Co., Ltd.	0	0	160,000 (Note 2)	40	160,000 (Note 2)	40
Lemtech Industrial Services Ltd	1,425,000	57	0	0	1,425,000	57
Kunshan Lemtech Slide Technology Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Lemtech Cooling System Ltd.	7,000,000	100	0	0	7,000,000	100
Lemtech Energy Solutions Corporation (Former Jimao Lemtech Co., Ltd.)	0	0	3,000,000	100	3,000,000	100
Lemtech Philippine Thermal System Inc.	0	0	11,000,000	100	11,000,000	100
Kunshan Lemtech Slide Technology Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Zhenjiang Emtron Surface Treatment Limited	0	83.33	(Note 1)	0	(Note 1)	83.33

Note 1: As the Company is a limited liability company, there is no stock and nominal amount.

Note 2: Long-term investments made by the Company using the equity method.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Sources of capital

1. Share Capital Formation:

Unit: Thousand shares; NT\$ 1,000

Year /month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2009.09	10	30,000	300,000	10	100	Capital stock at founding	None	-
2009.11	10	30,000	300,000	25,000	250,000	Conversion of capital 24,990 thousand shares	None	NT\$249,900 thousand are shares swapped with shareholders of Mauritius Super Solution Co., Ltd.
2011.04	36	30,000	300,000	27,800	278,000	Cash capital increase	None	FSC No. 1000009515, Mar. 17, 2011
2012.11	43	45,000	450,000	32,800	328,000	Cash capital increase	None	FSC No. 1010039209, Sep. 12, 2012
2013.07	10	100,000	1,000,000	32,800	328,000	None	None	Adjusted authorized capital
2015.07	56.7	100,000	1,000,000	39,828	398,281	Converted corporate bonds 7,028 thousand shares	None	FSC No. 1020054882, Jan. 17, 2014
2015.11	10	100,000	1,000,000	39,541	395,411	Buyback treasury stock	None	TWSE-II- No. 1040023685, Nov. 20, 2015
2019.03	220	100,000	1,000,000	39,563	395,638	Converted corporate bonds 23 thousand shares	None	FSC No. 1070324423, Jul. 13, 2018
2019.09	10	100,000	1,000,000	47,472	474,720	Recapitalization of retained earnings	None	-

2. Type of Shares:

Apr. 17, 2020 Unit: Shares

Type of shares	Authorized capital			Remarks
	Issued shares	Unissued shares	Total	
Common shares	47,472,069	52,527,931	100,000,000	Shares of listed company

Note: The above shares are all listed company shares, counted to book closure date on Apr. 17, 2020.

(II) Shareholder Structure

Apr. 17, 2020

Shareholder structure Volume	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions and foreign natural persons	Domestic natural persons	Mainland investment institutions and natural persons	Treasury stock	Total
Number of shareholders	0	0	21	28	2,072	4	1	2,126
Shareholding (shares)	0	0	1,727,022	8,361,367	29,110,261	8,131,419	142,000	47,472,069
%	0	0	3.64	17.61	61.32	17.13	0.30	100.00

Note: An initial TWSE/TPEX-listed company or an emerging stock company shall disclose the shareholding percentage of the company's shares held by companies in Mainland China; companies in Mainland China refers to companies invested by people, juridical persons, organizations, and other institutions in Mainland China or investments made in third regions by Mainlanders as stipulated in Article 3 of the Rules Governing Permits for People from Mainland China Investing in Taiwan.

(III) Shareholding Distribution (Face value of NT\$10 per share)

1. Common Share Distribution

Apr. 17, 2020 Unit: Shares; %			
Shareholding range	Number of shareholders	Shareholding (shares)	%
1 to 999	366	81,315	0.17
1,000 to 5,000	1,165	2,428,525	5.12
5,001 to 10,000	241	1,788,415	3.77
10,001 to 15,000	95	1,186,872	2.50
15,001 to 20,000	46	801,336	1.69
20,001 to 30,000	58	1,412,309	2.98
30,001 to 40,000	33	1,144,542	2.41
40,001 to 50,000	21	927,563	1.95
50,001 to 100,000	51	3,559,019	7.50
100,001 to 200,000	28	3,639,310	7.67
200,001 to 400,000	8	2,305,080	4.86
400,001 to 600,000	4	2,056,899	4.33
600,001 to 800,000	2	1,359,429	2.86
800,001 to 1,000,000	1	856,315	1.80
1,000,001 or more	7	23,925,140	50.39
Total	2,126	47,472,069	100.00

2. Preferred Share Distribution: Not applicable

(IV) List of Major Shareholders

Apr. 17, 2020 Unit: Shares; %

Shareholder's name	Shareholding (shares)	%
Hsu, Chi-Feng	7,288,906	15.35
Chan Kim Seng Maurice	5,133,708	10.81
Ye, Hang	4,999,921	10.53
Tan, Yong	2,092,599	4.41
Liao, Mu	1,661,658	3.50
HSBC in custody for Morgan Stanley & Co. International Plc	1,542,053	3.25
LiaoZhou, Jin-Lian	1,206,295	2.54
Zhaoxing Investment Co., Ltd.	856,315	1.80
LGT Bank AG	731,890	1.54
Yang Ming Management Consulting Co., Ltd.	627,539	1.32

(V) Market price per share for the past two years, with net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$; Thousand shares

Item			Year	2018	2019	Current year as of Mar. 31, 2020
Market price per share	Highest			240.50	173.00	114.00
	Lowest			107.00	105.00	55.00
	Average			173.38	131.81	91.94
Net worth per share	Before distribution			46.98	41.15	41.40
	After distribution			37.07	(Note 9)	(Note 9)
Earnings per share	Weighted average shares			47,449	47,467	47,472
	Earnings per share	Before retrospective application		9.67	5.47	0.83
		After retrospective application		8.06	(Note 9)	-
Dividends per share	Cash dividends			2.49856391	2.50 (Note 9)	-
	Share dividends	Dividends from retained earnings		1.99885092	-	-
		Dividends from capital surplus		-	-	-
	Cumulative unpaid dividends			-	-	-
Return on investment	Price/earnings ratio (Note 5)			21.51	24.10	-
	Price/dividend ratio (Note 6)			69.35	52.72	-
	Cash dividend yield (Note 7)			1.44%	1.90%	-

* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: The annual highest and lowest market value of common share shall be listed. The annual average market value is calculated based on each year's transaction value and volume.

Note 2: The number of shares issued at the end of the year shall be used as the reference. Please fill in the table according to the distribution amount as resolved by the shareholders' meeting held in the following year.

Note 3: Where retroactive adjustment is necessary due to issuance of share dividends, earnings per share before and after the adjustment shall be listed.

Note 4: If the terms of equity securities issuance allow unpaid dividends of the year to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: $\text{Price/earnings ratio} = \text{Average closing price for each share in the year} / \text{earnings Per Share}$

Note 6: $\text{Price/dividend ratio} = \text{Average closing price per share in the year} / \text{cash dividends per share}$

Note 7: $\text{Cash dividend yield} = \text{Cash dividends per share} / \text{current year average closing price per share}$.

Note 8: The per-share net value and earnings per share should be the values of the quarter nearest to the printing date of the annual report to be audited by accountant; the remaining column should be filled in with the annual data up to the printing date of the annual report.

Note 9: The 2019 annual earnings distribution proposal was approved by the Board meeting on Mar. 25, 2020, but has not yet been approved by the regular shareholders' meeting.

(VI) Dividend Policy and Implementation:

1. Dividend Policy:

(1) If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion. The allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.

(a) The employee remuneration shall be no less than 0.5% and may be paid either in cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.

(b) The director remuneration is up to 2%.

(2) The Company shall allocate earnings or cover losses at the end of each quarter in accordance with the listing regulations. The Company's proposal of allocating earnings or covering losses for the first three quarters shall be reviewed, together with the business report and financial statement, by the independent directors of the Audit Committee, and then reported to the Board meeting for approval.

When allocating earnings in accordance with the provisions of the preceding paragraph, the Company shall first estimate and reserve tax payable and cover

losses according to law.

When the Company allocates earnings in accordance with the provisions of the first paragraph, all or part of dividends may be allocated by issuing new shares upon special resolution of the shareholders' meeting according to the listing regulations. Issuing cash shall be subject to the resolution of the Board meeting. Earnings allocation or losses compensation by the Company in accordance with the provisions of the preceding three paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.

- (3) If there is any surplus upon the final accounting, the Company shall first pay the tax, cover the previous losses, and withdraw special reserve, if any. If there is still a remaining surplus, except those reserved by the Board meeting as the undistributed surplus, the remaining amount may be distributed as shareholder dividends and bonuses according to the shareholders' shareholding ratio. The Board of Directors shall then draw up an allocation plan and submit it to shareholders' meeting for resolution.

The Company's dividend policy considers the Company's stable growth, sustainable operation, capital needs, sound financial structure and maintenance of shareholders' rights. The total shareholders' bonus shall not be less than 10% of the distributable surplus. The shareholders' dividend bonus shall be allocated in cash or stock, where the cash dividends shall be no less than 50% of the total shareholders' bonus. If the Company is free of losses, it can, considering its financial, business and operating factors, allocate all or part of the statutory surplus reserve and capital reserve according to laws or competent authority's regulations.

- (4) When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall, in accordance with the listing regulations, allocate all or part of the dividends or bonuses by issuing new shares upon the special resolution of the shareholders' meeting. Amount less than one share shall be allocated in cash.

When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall allocate all or part of the distributable dividends or bonuses by issuing cash upon resolution consented by a majority of present directors, who shall be over 2/3 of all directors from the Board of Directors, and report to the shareholders' meeting.

2. Implementation Status:

The Company's 2019 earnings distribution proposal was approved by the Board meeting on Mar. 25, 2020, and will be reported to the shareholders' meeting for approval on Jun. 15, 2020. The Board meeting proposed to allocate cash dividends of NT\$ 2.5 per share, NT\$ 118,680,173 in total, to shareholders.

- (VII) Impact on the Company's business performance and Earnings Per Share (EPS) from share dividends proposed by this shareholder's meeting:

The Company did not need to prepare the financial forecast information for 2019, therefore it is not applicable.

(VIII) Remuneration for employees and directors

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

If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion, and the allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.

- (a) The employee remuneration shall be no less than 0.5% and may be paid either in cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.

- (b) The director remuneration is up to 2%.

2. Basis for estimating the amount of remuneration to be allocated to employees and directors, basis for calculating the number of shares to be distributed as employee remuneration and accounting treatment for discrepancies between the actual and estimated amount of remuneration to be distributed for this period:

The company's employee remuneration in 2019 is estimated based on the amount of pre-tax net profit for the current year with employee remuneration and director's remuneration not deducted in proportion. If there is any change until the date of resolution made by the shareholders' meeting, the estimated amount will be subject to change in accounting estimates, and adjusted and credited in the year of resolution made by the shareholders' meeting.

3. Remuneration approved by the Board of Directors:

- (1) If the employee's remuneration and director's remuneration distributed in cash or stock differs from the annual estimated amount of the recognized expenses, the difference, cause and treatment shall be disclosed:

Upon resolution of the Board meeting, the Company proposed that both the employee remuneration and director remuneration are allocated at the rate of 1% in 2019. The amount of employee remuneration and director remuneration is NT\$ 2,648,306, which will be issued in cash.

- (2) The ratio of employee remuneration distributed in share to the sum of net income after tax specified in the parent company only or individual financial statements and total remuneration paid to employees: Not applicable, as there is no employee remuneration distributed in share.

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and directors in the previous year, the amount, reasons and treatment of such discrepancies shall be stated:

The Company's annual shareholders' meeting on Jun. 17, 2019 passed the resolution of NT\$1,946,020 of employee remuneration and NT\$3,892,039 of director remuneration, which was proposed by the Board meeting on Mar. 27, 2019 and has no difference with the amount actually allocated approved by the shareholders' meeting.

(IX) Share repurchases:

1. Share repurchases (completed)

Apr. 30, 2020

Number of repurchase	No. 2
Purpose of repurchase	To maintain the Company's creditability and shareholders' interest
Repurchase period	Mar. 26, 2020 to Apr. 30, 2020
Price range of shares to be repurchased	NT\$ 50 to NT\$ 90
Type and amount of shares repurchased	505,000 common shares
Amount of shares repurchased	NT\$ 38,523,601
Percentage of repurchased amount to the amount to be repurchased (%)	50.5%
Number of retired and transferred shares	505,000 shares
Cumulative number of shares of the Company	505,000 shares
Percentage of accumulated shares held to the total number of shares issued (%)	1.06%

2. Share repurchases (in progress): None.

II. Corporate Bonds

(I) Corporate bonds

Apr. 17, 2020

Type of corporate bond	Second Unsecured Convertible Corporate Bonds within the R.O.C.	
Date of issuance (placement)	Jul. 30, 2018	
Par value	NT\$100,000	
Place of issuance and transaction	Taipei Exchange	
Issue price	Issued at 100% of the Par Value	
Total	NT\$ 600,000,000	
Interest rates	0%	
Term	Three years, date due: Jul. 30, 2021	
Guarantor	Not applicable	
Trustee	Trust Division, KGI Commercial Bank Co., Ltd.	
Underwriter	KGI Securities Co., Ltd.	
Certifying attorney	Zhiding International Law Firm Chen, Yu-Liang, the attorney	
Certified public accountant	Deloitte & Touche Lin, I-Hui, Lee, Li-Huang	
Method of redemption	Except for those redeemed by the Company, repurchased by the bondholder, converted or repurchased and written off by the business office of securities dealer, the Company has made the repayment in a lump sum by cash according to the face amount of bond when the bond expired.	
Unredeemed principal	NT\$ 600,000,000	
Articles for redemption or early liquidation	Please refer to the Regulations Governing the Issuance and Conversion of the Second Unsecured Convertible Corporate Bonds within the R.O.C.	
Restrictions	None	
Name of Credit Rating Agency (CRA), rating date, and results of corporate bond ratings	N/A	
Other rights	Amount of converted common shares (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the publication date of this annual report	As of May 15, 2020, a total of 22,727 common shares have been converted, amounting to NT\$ 227,270.
	Regulations governing issuance and conversion (swap or subscription)	Please refer to Market Observation Post System-Investment Zone-Credit Standing Zone.
Possible dilution of equity or impact on shareholders' equity	If all outstanding convertible bonds are converted, 2,704,545 shares will be increased, accounting for 5.7% of the shares issued. In	

caused by regulations governing the issuance, conversion, swap or subscription to stocks	general, the convertible bond holders usually convert common shares gradually, which does not pose immediate effect on equity dilution. Additionally, earnings per share for convertible bonds issuance is higher than that of increment of cash, so the possible dilution of the Company's equity and the impact on shareholders' equity are still limited.
Name of the commissioned custodian of exchangeable underlying	None.

(II) Information on Convertible Corporate Bonds

Type of corporate bond		Second Unsecured Convertible Corporate Bonds within the R.O.C.	
Item	Year	2019	Current year as of May 15, 2020
Market price of the convertible corporate bond	Highest	104.00	99.80
	Lowest	97.20	98.50
	Average	100.90	99.43
Conversion price		180.1	180.1
Issuance(placement) date and conversion price on the date of issuance		Date: Jul. 30, 2018 Conversion price: NT\$ 220	
Methods of fulfilling conversion obligations		Issuance of new shares	Issuance of new shares

III. Preferred Shares: None.

IV. Overseas Depository Receipt: None.

V. Status of Employee Stock Option: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Implementation of Capital Utilization plan

1. As of the previous quarter of the publication of the annual report, plans that are not yet completed in the previous issuances or private offerings of marketable securities, or the plans that have been completed in the most recent three years with no obvious benefits: None.
2. Implementation: As of the previous quarter of the publication of the annual report, the Company's capital utilization plans for the previous public issuance of marketable securities have been completed.

Chapter 5 Operational Highlights

I. Business Activities

(I) Scope of Business:

1. Main content: The company mainly engages in research and development, production and sales of precision metal stamping components, including various electronic product thermal modules, electronic product components, automotive components and building material components made by stamping and forming, as well as stamping die support for automotive and electronic product manufacturers. The company's products are either standardized or non-standardized parts and components that are tailored to different customers.

2. Percentage of business:

The company's main product items, sales performance and percentage, as well as its percentage of business in 2019 are as follows:

Unit: NT\$1,000

Item	2019	
	Net revenue	Percentage of business
3C electronics segment	2,845,323	56.43%
Vehicle parts segment	1,749,079	34.69%
Building material segment	76,140	1.51%
Dies and others	372,115	7.37%
Total	5,042,657	100.00%

3. The company's current product items and new products planned

(1) The company's current product items

Category	Application
3C electronics segment	Computers, radiators related stamping parts, servo slides
	Metal stamping parts for household air conditioners, ice machines and motors
	Mobile phone internals, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Building material segment	Support fittings for sloping roof skylights and exterior wall plaque
Dies and other segments	Die tools, sports equipment

(2) New products planned

The company is a comprehensive supplier of multiple fields including stamping

parts and components. To protect the company from the impact of change in a single industry prospect, the company has gradually changed from the original single product production mode to industry development with research and development of die technology-focused and products developing towards diversified fields. The company now keeps developing different application products based on the existing four segments, including mobile phone vapor chamber, server thermal module, automobile safety system, drive system, door lock system, armrest box components, engine parts, NB hinge and other related metal stamping products.

(II) Industry Overview

1. Industry Status and Development

The company is a professional design manufacturer of thermal modules, with production and sales of various thermal module design products as its main business, which are widely used for 3C electronic stamping components, including notebook and desktop PC thermal fins, thermal components, mobile phone shields, computer server brackets, auto stamping parts, like door hinges, power steering wheels, skylights, airbags and seat belts, as well as building material stamping parts, such as support fitting for house skylights and exterior wall plaques. One of the company's important core technologies is the development and production of dies, which are mainly used for metal stamping process. The company is mainly committed to the development and manufacture of continuous dies. An example of the metal stamping industry and the thermal industry is given below for a detailed description:

(1) Metal stamping industry

Stamping is a forming method in which plates, strips, pipes and profiles are applied with external force by stamping equipment and dies to cause plastic deformation or separation, so as to obtain workpieces (stamped parts) with desired shape and size. As defined by the metal center: Stamping die is a processing tool for forming thin sheet metal through the stamping process. The shape of the sheet metal depends on that of the upper and lower dies (in general, the upper die is movable while the lower is not). Simple shape can be made by a pair of dies, but complex shape needs to be completed by more than a pair of dies.

Through stamping, both extremely small-sized instrument parts and large parts such as automobile frames and pressure vessel heads can be manufactured, and both parts with general dimensional tolerance levels and shapes and parts with precision (micron-level tolerance) and complex shapes can be produced. Therefore, metal stamping is very important in the manufacture of automobiles, machinery, household appliances, motors, instruments, aerospace, weapons, etc. The characteristics of precision stamping products are as follows: consistent product quality, i.e. same model of products shall be highly consistent in quality and replaceable with each other; assembly adaptability, i.e. all parts must be perfect in matching with other parts in assembly, especially the precision components of high-precision

electromechanical equipment, which requires a very strict dimensional error; production efficiency, i.e. compared with other metal forming processes such as casting and forging, the stamping process has clear advantages in production efficiency.

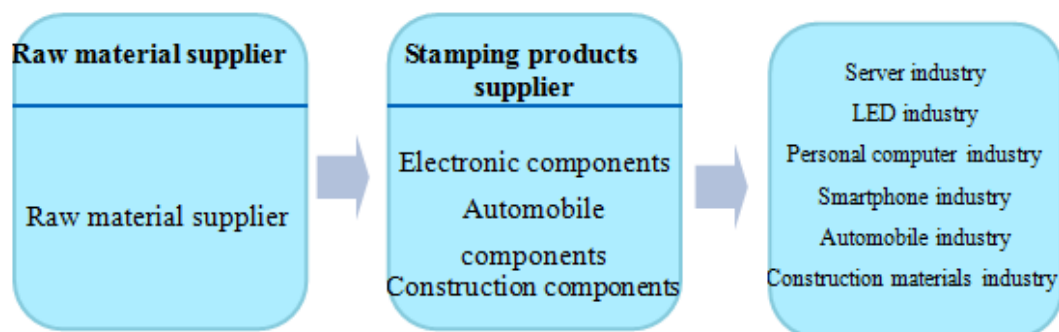
China has become the world manufacturing center, and achieved rapid development in automotive, communications, electronics, household appliances and other industries in the last 10 years, increasing the demands for metal stamping components. Many multinational companies have repositioned complete machine manufacturing to China, accompanied by supporting factories, with the purchase of domestic accessories increasing rapidly year by year, driving the rapid development of related industries in China. In this context, the metal stamping industry, one of the basic manufacturing industries, has also achieved rapid development.

(2) Thermal industry

As the functions of high-tech products are increasingly stronger, the electrical power required is higher, and more heat is generated therefrom. Therefore it is increasingly important to dissipate heat to keep the system running stably. In recent years, the thermal issue has become an increasingly important technical topic in the design and manufacturing of various 3C products, such as computers (desktops, notebooks, servers), DVD recorders/players, plasma display panels (PDP), LED modules, etc. Due to the large potential in thermal market, an independent "thermal management industry" has been developed. What's more, due to the continuous enhancement of the central processing unit (CPU) and graphics chipset in computing clock rate lead to more heat generated, the thermal solution has become an important part of the personal computer (PC) industry. The current thermal module is composed of thermal fins, heat pipes, fans and other components, which are properly designed. The main design concept is transferring heat generated by CPU, through metal material with high thermal conductivity, such as close contact of copper or aluminum and CPU surface, via heat pipes to the endmost thermal fins, and cooling it with a fan to form convection, thereby keeping CPU running at a certain working temperature, without causing the crash from overheating.

Thermal management products are collectively known as thermal modules, which are now widely used in desktop (DT), notebook (NB), server and other PC product lines, which are considered as the most mature application fields. Therefore, the growth of thermal industry is closely related to the prosperity of the global information and computer industry. With the advances in technology and improvement of product development technology, the demands of many electronic products or equipment for heat dissipation are gradually emerging, such as communication equipment and emerging light-emitting diode (LED) products that are used in the lighting field.

2. Relevance of Industry Up-, Mid-, and Down- Streams



The relevance of industry up-, mid-, and down- streams that the company belongs to is shown above. The company is a professional metal stamping and die manufacturer, with the main raw materials of aluminum, iron, and copper. Its upstream involves manufacturers, agencies, processors or distributors of metal raw material, and the mid-stream involves stamping product manufacturers and component manufacturers in various industries. The company is a stamping component manufacturer, delivering the manufactured products to various component manufacturers for assembly and then selling to down-stream OEMs or manufacturers. The products of the company have been applied in a wide range of industries, covering 3C electronic stamping components, including notebook and desktop thermal fins, thermal components, mobile phone shields and computer server brackets, auto stamping parts, including door hinges, power steering wheels, skylights, airbags and seat belts, as well as building material stamping parts, including support fitting for house skylights and exterior wall plaques.

(1) Relevance of industry up-stream

A. Steel plate industry

In 2019, China's steel industry continued to deeply advance the supply-side structural reforms, consolidated the results of cutting overcapacity, accelerate structural adjustment, transformation and upgrading, and promoted high-quality development of the entire industry, which ran steadily, according to the data of the Department of Raw Material Industry, Ministry of Industry and Information Technology of the People's Republic of China.

a. Crude steel output set a new record: In 2019, China's pig iron, crude steel and steel output were 809 million tons, 996 million tons and 1.205 billion tons, increasing by 5.3%, 8.3% and 9.8% YoY. Crude steel output set a new record high. The market demand of steel industry was optimistic in 2019, and down-stream industries such as infrastructure and real estate were steady. The apparent volume of crude steel consumption in China was about 940 million tons, increasing by 8% YoY.

b. Reduction in imports and exports of steel: According to the data from General Administration of Customs, P.R. China, from January to December 2019, the cumulative exports of steel were 64,293,000 tons, with a YoY decrease of 7.3%; the cumulative export value was USD 53.76 billion, with a YoY decrease of 11.3%. The cumulative imports of steel were

12,304,000 tons, with a YoY decrease of 6.5%; the cumulative import value was USD 14.11 billion, with a YoY decrease of 14.1%.

- c. Narrow fluctuation in steel price: The steel price in 2019 was generally stable, showing narrow fluctuation. It reached a maximum of 113.1 points in early May, and dropped to a minimum of 104.3 points during the year at the end of October. The annual average value of Chinese steel price index was 107.98 points, dropping by 5.9%, with a YoY decrease of 6.77 points.
- d. Large price increase in imported iron ore: According to the data from General Administration of Customs, P.R. China, the cumulative imports of iron ore in 2019 was 1.07 billion tons, with a YoY increase of 0.5%. The total import values were USD 101.46 billion, increasing by 33.6%, with a YoY increase of USD 26.64 billion. The annual average price was USD 94.8 per ton, with a YoY increase of 34.3%. Compared with last year, the total amount of imports remained stable, and the import prices increased sharply, showing a great impact on the profits of low-stream steelmaking industries.
- e. Drastic fall in economic profits: Due to the accelerated growth of Chinese steel production, narrow fluctuation, and the downward trend of steel price, as well as the increased price of crude fuels such as iron ore, the economic profits of steel enterprises fell drastically. In 2019, the member steel enterprises of China Iron and Steel Industry Association reached about RMB 4.27 trillion of sales revenue, with a YoY increase of 10.1%; profit reached RMB 188,994 million, with a YoY decrease of 30.9%; the cumulative profit ratio of sales was 4.43%, with a YoY decrease of 2.63 percentage points.

B. Non-ferrous metal industry

In 2019, the non-ferrous metal industry deeply implemented the spirit of the 19th CPC National Congress and the Central Economic Working Conference. It continued to deepen the supply-side structural reforms, coordinated and promoted optimization and increment, optimized inventory, and improved quality and efficiency, and strictly controlled new capacity of electrolytic aluminum, and accelerated the smart and green transformation of traditional industries, thereby keeping the industry running steadily, according to the data of the Department of Raw Material Industry, Ministry of Industry and Information Technology of the People's Republic of China.

The outputs of the ten kinds of non-ferrous metals in 2019 were 58,420,000 tons, with a YoY increase of 3.5%. Compared with last year, the increasing range fell by 2.5 percentage points. The increased value of non-ferrous metals industries above designated size increased by 8.2%, higher than the average 2.5 percentage points. The annual accumulative increase of fixed-asset investment in non-ferrous industries was 2.1%, among which the YoY increase of mining investment was 6.8%. The investment in industrial technical transformation of energy conservation and emission reduction, advanced materials and other fields were constantly accelerated.

The average spot price of copper, aluminum, lead and zinc in 2019 was respectively RMB 47,739 per ton, RMB 13,960 per ton, RMB 16,639 per ton and RMB 20,489 per ton, with a year-on-year decrease of 5.8%, 2.1%, 13% and 13.5% respectively. The operating revenue of non-ferrous industries above designated scale was RMB 6,004,200 million, with a YoY increase of 7.1%. The increasing speed was 2.6 percentage points higher than the industrial average value. The total amount of profits was RMB 157.8 billion, with a YoY decrease of 6.5%, among which, the profits of mining industry were RMB 30.1 billion, with a YoY decrease of 28.4%. The YoY decreased profits of lead and zinc mining and dressing industries were RMB 7.5 billion.

The total imported and exported values of non-ferrous metals industries in 2019 were USD 173.9 billion, with a YoY decrease of 12.4%, among which, the imported values were USD 144 billion, with a YoY decrease of 13.5%, and the exported values were USD 29.8 billion, with a YoY decrease of 6.7%. Overseas development has been actively advanced. Many overseas projects by Jinchuan Group, Chinalco and Wanbao Mining and other overseas projects have been put into production and reached target output. Chinalco has begun to supply minerals from bauxite project in Guinea to China. Jiangxi Copper Corporation and Zijin Mining Group have become the leading enterprises by increasing capital in overseas copper resource.

In 2020, China's non-ferrous metal industry still faces the risk of overcapacity, while the tasks of greening and smart transformation are arduous. The international trade environment is complex and changeable, and the consumer market needs to be further expanded. The industry will, as required by the Central Economic Working Conference, continue to deepen the supply-side structural reforms, strictly control the production capacity of electrolytic aluminum, resolve the risk of overcapacity in key industries, and consolidate the achievements of reforms; it is hoped to accelerate the high-end, smart and standardized development, and improve the development level of the industrial chain; explore domestic potential demand, expand the emerging export markets, and keep the industry developing steadily; implement the modernization requirements of the national governance system and governance capabilities, explore and establish the market-oriented and law-based management mechanisms, promote the non-ferrous industry to solidify their foundations, strengthen points of weakness, take their advantages, and move towards the advanced manufacturing.

(2) Relevance of industry down-stream

The metal stamping and forming technology is widely used, with its down-stream industries covering almost all manufacturing sectors, including automobile manufacturing, motorcycle manufacturing, communications electronics, aerospace, instrumentation, household appliances, etc. Generally speaking, most of the metal forming components of various electromechanical products are produced by stamping sheet metal technology, of which the

stamping process is most suitable for mass production. The company's main products include thermal modules, stamping parts and dies. All thermal modules are used in 3C segments. Stamping parts are divided into automobile segment, 3C segment and building material segment according to their application fields, and dies are divided into automobile segment and 3C segment according to their application fields.

3. Various Product Trends

The company is a professional metal stamping and die manufacturing, with products mainly used in thermal modules such as NB, mobile phones, servers and automobiles. The analysis of the product trends in the future is as follows:

A. 3C electronics industry

(1) Information industry

Affected by the COVID-19, by the end of 2020, the shipment of personal computing devices (PCD) including personal computers (PC), notebook computers (NB), workstations and tablets will be 374.2 million units, with a decrease of 9%, IDC, a market-research firm, estimated. However, it is still optimistic for the long run. By 2024, the shipment of global PCDs will increase to 377.2 million units, with a five-year compound annual growth rate (CAGR) of 0.2%.

The consumer PC (including desktop PC, notebook PC and top ultramobile models) market will continue to decline in the next five years, but product innovation is the key factor to maintain the sustainable growth of the entire PC market, for example, introduction of foldable notebook and smart VR glasses, Gartner, an international research and consulting firm, estimated. In addition, many enterprises in emerging regions (such as China, Eurasia and the emerging Asia-Pacific region) have not yet upgraded to Windows 10, which is expected to bring more needs of replacing commercial computers in the future. The existence of PCs is now still necessary, but PC replacement time will be prolonged as continuous introduction of innovative products will give consumers more choices in the future, although PCs will not be replaced completely.

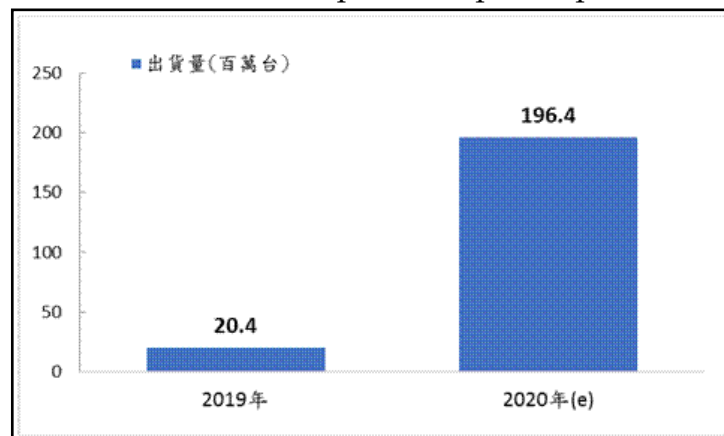
(2) Mobile phone industry

In 2020, more than 50 countries around the world will enable 5G service, which will significantly increase the global 5G mobile phone market demands, and major global mobile phone brands will pay more attention to 5G mobile phones. In 2020, except Samsung, LG, Huawei, Xiaomi, OPPO, Vivo will expand the launch of new 5G phones, Apple, Google and SONY will also join the 5G mobile phone market. With 5G chips, radio frequency components, antenna soft board and other components supplied in place, more affordable 5G phones will come into the market successively, thereby boosting the shipment of global 5G mobile phones in 2020. However, with the spread of COVID-19, Chinese mobile phone supply chain has been negatively impacted. Chinese mobile phone market demands declined sharply, and Mobile World Congress (MWC) was canceled, postponing the launch of 5G phones by major mobile phone brands. This has posed a

certain impact on the shipment performance of the global 5G mobile phone market.

With the impact of COVID-19 on the overall mobile phone supply chain operation and China's domestic market demand, the shipment of global 5G mobile phone will decrease from the originally estimated 249 million units to 196 million units in 2020, decreasing by 21.29%. This proves that the impact of COVID-19 on the shipment performance of 5G mobile phone in China will slow down the shipment growth of global 5G mobile phone, DIGITIMES Research estimated.

Global 5G mobile phone shipment prediction



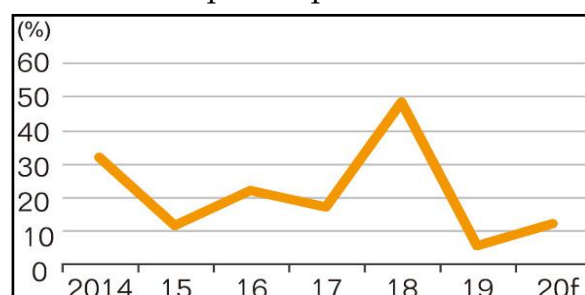
Source: DIGITIMES Research, Taiwan Industry Economics Services (Feb. 2020)

(3) Server industry

In 2019, the shipment of server declined due to the suspended expansion of data center by cloud businesses. But as COVID-19 spread, the home economy will inevitably drive major cloud data centers around the world, such as Google, Microsoft, Facebook, Apple, Amazon, and online entertainment service providers, such as Netflix and Disney to accelerate the construction of cloud service foundation.

According to the capital expenditure trends of large cloud data centers around the world in recent years, we can see cloud service providers such as Amazon, Facebook, Google and Microsoft are actively returning from capacity consumption to expansion of data center in 2020. Compared with the disastrous capital expenditure growth of only 5.8% for cloud data center in 2019, The Information Network estimated that the overall capital expenditure growth is expected to increase by about 12.3% in 2020.

Growth of cloud capital expenditures from 2014 to 2020



B. Automotive industry

According to The Five Dimensions of Automotive Transformation published by PwC Taiwan on January 22, 2018, the global automotive industry will be about to change in 2030. By 2030, the total number of vehicle in Europe is expected to decrease from 280 million units to 200 million units, and decrease from 270 million units to 212 million units in the U.S. By contrast, the number will increase from the current 180 million units to 280 million units in China. In China, shared and unmanned vehicles will popularize faster than that of the western world, and China will become the leading market for transformation of the automotive industry in the future. The report also pointed out that the five major transformation trends of the global automotive industry in the future are: electric, unmanned, shared, connected and upgraded annually, under which the global road traffic will undergo a fundamental change.

The sales of global vehicles will continue to grow steadily by 2030, but the annual growth rate will fall from an average of 3.6% in the past five years to about 2%, according to McKinsey, a management consulting company. The main reason for the decline is the overall economic adjustment and the rise of new services including car sharing and online car rental platforms. However, the reason for the steady growth of global auto sales in the future is the positive development trend of the global macro economy and the rise of middle class consumer group. The fixed consumer market profit grows year by year, and this growth will continue to depend on the rise of emerging economies, especially the Chinese market. In the future, auto factories must differentiate their products and services, and integrate the value propositions derived from traditional auto sales and maintenance into mobile services, thereby sharing the revenue from global auto market growth.

4. Competitive situation

The company is a manufacturer specializing in the design and manufacture of metal precision dies and the stamping of hardware precision components and parts. Since its establishment, it has focused on the improvements of die manufacturing, manufacturing procedures and heat-dissipating devices. With the constant change in market demands, the company has timely adjusted the business and development direction, actively introduced advanced equipment and continued to develop and upgrade processing technology, so it has smoothly turned to single-equipment continuous processing and combination of equipment and manipulator for continuous processing technology from engineering processing. At the same time, in order to comply with customer demands, it has gradually transformed into the assembly and production of components from single product manufacturing. The company's competitiveness and profitability have been furthered improved.

Based on this, the company is able to step across automotive components and building material products from specializing in PC thermal fins. In addition, the company keeps conducting market research and investigation, and continuously improves the existing production processes, devoting to the development of

products with higher added value.

In summary, the company, relying on excellent die sinking technology and the high sensitivity to market, gradually adjusts its operating strategy in this competitive industry. In the future, it will focus on products with higher added value, such as active development of new notebook hubs and auto parts, continuous improvement of solderless thermal module technology and vertical integration of thermal module process. Through diversified product lines, the company also looks forward to reducing the influences of single market competition or declining industry, lessening the impact of competitive imitation of the company's thermal patent technology and profit compression, and maintaining its market position and competitiveness.

(III) Technology and Research & Development Overview

1. R&D expenses invested in the most recent year and as of Mar. 31, 2020

Unit: NT\$1,000

Item \ Year	2018	2019	Mar. 31, 2020
R&D expenses	151,893	125,768	27,629
Net operating revenue	6,043,090	5,042,657	876,727
Ratio of R&D expenses to net operating revenue	2.51%	2.49%	3.15%

2. Successfully developed technologies or products

Year	R&D results	Description	Scope of application
2015	Stamping and forming die for VCT metallic sintered products	Simple structure and easy to use. Effectively solve the problems of traditional VCT metallic sintered products which cannot be formed by stamping. Effectively improve work efficiency of the forming processing of VCT metallic sintered products and reduce the manufacturing cost. Greatly enhance the operational safety and reliability of stamping and modeling process.	Automotive parts and other products
2015	Linear stitching device decompressor	Rapid stamping and forming of linear stitching device, with high production efficiency, avoiding waste of manpower and material resources.	Medical equipment
2015	Riveted fin set	It uses the continuous dies or cooperates to the synchronous riveting dies, which can quickly produce fins. The main advantage is no minimum height requirement. While the single side is riveted to the other side, the sapwood design can be random, so the appearance can be changeable and tightly fastened. It is applicable to various shapes of fin combination	Computer, learning machine, TV and audio

Year	R&D results	Description	Scope of application
		structure.	
2015	Ring trimming NUT riveting device	The NUT processing is completed by trimming the profile in one-time process, eliminating the trimming process and greatly reducing NUT production cost, and then riveted with the plate using the naturally formed NUT trimming gap. Thanks to the regular shape and self-contained foolproof guide appearance, the automatic feeding and continuous intra-mode riveting process is easy to use, with high degree of automation.	Computer, learning machine, TV and audio
2015	Copper-aluminum complex automatic fastening radiator component	The materials with a thickness of 0.2 to 0.8 are used for stamping and forming processes, which can realize the automatic monolithic fastening inside the stamping die. It increases the heat dissipation area and improves the heat dissipation efficiency. It is characterized by high production efficiency, small size of fastening points, stable fastening, beautiful and convenient appearance, etc.	Computer, learning machine, TV and audio
2015	Transmission equipment for automobile steering and transmission element	Single-step welding processes are combined into a composite and automatic welding mechanism, reducing the number of die openings, and the welding process of multiple parts can be completed in a set of automatic welding mechanism, reducing lots of manpower and material resources, and satisfying the mass production of components, with high efficiency, functions of checking lack of weld, and the output nearly five times higher than before.	Automotive parts and other products
2015	Three-dimensional mechanical arm equipment	A grasping and conveying mechanism is added in the multi-station progressive die, which can achieve an integrated stamping die, reducing the number of die opening, and it can complete entire production process of parts in a set of progressive die, reducing lots of manpower and material resources, and satisfying the mass production of components, with high efficiency and the output nearly five times higher than before.	Automotive parts and other products
2015	Seat belt height adjuster processing equipment	The single-step riveting process is combined into a composite and automatic riveting mechanism, reducing the number of die opening, and it can complete the riveting process of multiple parts in a set	Automotive parts and other products

Year	R&D results	Description	Scope of application
		of automatic riveting mechanism, reducing lots of manpower and material resources, and satisfying the mass production of components, with high efficiency, functions of checking lack of riveting, and the output nearly five times higher than before.	
2015	Automatic riveting equipment for seat belt frame retaining nut	It includes angle divider, press, servo motor, robot, nut arranging machine, cylinder, fiber inspection, riveting die, riveting punch, bottom plate base and product conveyor belt, etc. Its goal is to, through automatic riveting equipment for seat belt frame retaining nut, reduce the number of die opening and improve the dimensional accuracy, which can realize mass production in a stamping die in a short time, save costs, and improve market competitiveness.	Automotive parts and other products
2015	Auto horn contact transmission mechanism	A transmission mechanism is added in the multi-station progressive die, which can achieve an integrated stamping die, reducing the number of die opening, and it can complete entire production process of parts in a set of progressive die, reducing lots of manpower and material resources, and satisfying the mass production of components, with high efficiency and the output nearly five times higher than before.	Automotive parts and other products
2015	In-die swing rod shaping mechanism	Such a mechanism is added in the multi-station progressive die, which can complete entire production process of all parts and achieve an integrated stamping die, reducing the number of die opening, and it can complete entire production process of parts in a set of progressive die, reducing lots of manpower and material resources, and satisfying the mass production of components, with high efficiency and the output nearly three times higher than before.	Automotive parts and other products
2016	Production process of auto steering system components	It can complete the production of entire steering system components by shrinking, punching, boring and welding, reducing the number of die opening, improving the dimensional accuracy, and achieving mass production in a short time. Save lots of costs and improve market competitiveness.	Automotive parts and other products
2016	Production process of automobile skylight rail	It replaces the single-operation die, and uses large multi-station progressive die equipped with multiple working procedures as punching, bending, convex,	Automotive parts and other

Year	R&D results	Description	Scope of application
	components	riveting, deburring, stretching, extrusion and flanging to produce, which reduces the times of die opening and improves the production efficiency. It uses the "production technology of automobile skylight rail components", which can produce many parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency and output nearly five times higher than before.	products
2016	Production process of automobile airbag components	It replaces the single-operation die, and uses large multi-station progressive die equipped with multiple working procedures as punching, bending, convex, riveting, deburring, stretching, extrusion and flanging to produce, which reduces the times of die opening and improves the production efficiency. It uses the "production technology of automobile airbag components", which can produce many parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency and output nearly five times higher than before.	Automotive parts and other products
2016	Three-dimensional mechanical arm equipment	It replaces the single-operation die, and uses continuous in-die automatic manipulators with multiple functions such as grasping, rotating, positioning, and fixing in the die, which reduces the number of die opening and improves production efficiency. It uses the "continuous in-die manipulator automation technology", which can produce many parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency and output nearly five times higher than before.	Automotive parts and other products
2016	Laser automation welding system	The single-operation welding process is combined into a composite and automatic welding process, reducing the number of turnover. It uses the "laser automation welding system", which can produce many parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency, functions of checking lack of processing and output nearly five	Automotive parts and other products

Year	R&D results	Description	Scope of application
		times higher than before, which is promising.	
2016	Seat belt height adjuster processing equipment	The single-operation riveting technology is combined into a composite and automatic riveting form, reducing the number of workers and improving production efficiency. It uses the "automatic riveting technology for automotive height adjuster nut", which can produce lots of parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency, functions of checking lack of riveting and output nearly seven times higher than before.	Automotive parts and other products
2016	Swing rod bending mechanism in large-scale progressive die	For the production of large parts and large-angle rebound shaping technology, it improves product size stability and controllability. It replaces the single-operation dies, and bends high-strength materials in progressive dies, which can reduce the number of die opening and improve production efficiency. It uses the "swing rod bending mechanism in large-scale progressive die", which can produce many parts within a short time, so as to reduce manpower and material resources, and satisfy mass production of components, with high efficiency and output nearly three times higher than before.	Automotive parts and other products
2017	High-precision automobile skylight rail components based on new side stamping and reverse compensation process	The most critical process in the entire process route and procedure is to drive the material belt through the tie, which completes the production process of all the parts in a set of dies. In order to ensure the relative position of side positioning hole, the side blanking must be adopted. Place the punch on the side of the product, and punch out the positioning hole through the inclined wedge mechanism. Then, remove the burr on the side hole directly through the burr removal mechanism in the die, saving the second process of removing burrs. Due to the lateral bending of skylight rail components and the bottom required to be formed as a cambered surface, material twisting will occur during the forming process. After many tests, it can be concluded that the parallelism of the two sides of the slide components meet 0.5mm through the process of reverse compensation.	Automotive parts and other products

Year	R&D results	Description	Scope of application
2017	Robot flexible production line for automobile steering column	The single-operation welding process, punching process, shrinking process, forming process, and boring process are combined into a composite and automatic production line, which reduces the number of die opening and can complete the entire production process of parts in a set of production line.	Automotive parts and other products
2017	Multi-head and multi-station automatic pipe shrinking equipment	The single-operation die production process is improved to a rapid pipe shrinking process by a hydraulic cylinder with multiple heads and multiple stations, which greatly improves the efficiency of pipe shrinking. It can complete the pipe shrinking process of parts in a set of equipment, reducing manpower and material resources, and meeting the requirements of mass production and high efficiency. Meanwhile, it is equipped with inspection function. The output is nearly five times higher than the original single-process production.	Automotive parts and other products
2017	Automatic visual inspection equipment for auto parts	The tool inspection and manual inspection technology is improved to visual inspection technology, which greatly improves the inspection efficiency, and can inspect large quantities of parts in a short time. The inspection equipment can screen lack of punching, deformation and disabler, which reduces manpower and material resources, and satisfies mass inspection of components, with high efficiency, which is nearly four times higher than before.	Automotive parts and other products
2017	Automobile seat rail manipulator forming die	The single-operation die production process is improved to a continuous die production process. All processes such as punching, bending, extruding, stretching, and raising can be completed in a set of dies, which greatly improves production efficiency, reduces manpower and material resources, and satisfy mass production of components, with high efficiency and output nearly five times higher than before.	Automotive parts and other products
2017	Automatic stretching and forming die for automobile turbocharging system parts	The single-operation die production process is improved to a continuous die production process. All processes such as punching, bending, extruding, stretching, and raising can be completed in a set of dies, which greatly improves production efficiency, reduces manpower and material resources, and satisfy	Automotive parts and other products

Year	R&D results	Description	Scope of application
		mass production of components, with high efficiency and output nearly five times higher than before.	
2017	Production line of automobile seat belt position adjusting slider and seat rail	The single-operation die production process is improved to a continuous die production process. This set of production lines integrates the stamping components and injection parts. The continuous stamping die for auto seat rail manipulator is first developed to produce auto seat stamping parts, as well as continuous stamping dies for seat belt lockhole and multiple sets of stamping dies for supporting parts, and then the injection molding line is developed, which greatly improves production efficiency, reduces manpower and material resources, and satisfies mass production of components, with high efficiency and output nearly five times higher than before.	Automotive parts and other products
2018	Ultra-thin sheet riveting nuts or riveting screws	Nuts and screws can be riveted on the sheet as thin as 0.05mm.	Computer, learning machine, TV and audio
2018	Stamping die pitch positioning	Compared to the previous technology, this achievement is easy to use, safe and reliable, which can effectively solve the injuries caused to the employees and damages to the production tools due to improper operation by the employees, and can save lots of physical strength and labor time for the operators.	Automotive parts and other products
2018	Multi-head and multi-station room temperature shrinkage tube	This achievement can solve the problems of high die cost and low processing efficiency in the existing shrinking method. The pipe parts to be processed for shrinkage are horizontally and levelly positioned and clamped by the positioning and clamping mechanism. Two sets of tube shrinking mechanisms are symmetrically arranged on both lateral sides of the positioning and clamping mechanism. The tube shrinking mechanism includes a single-axis robot, a horizontal pushing cylinder, a first tube shrinking die and a second tube shrinking die. The guide rail of the single-axis robot is arranged in the longitudinal direction, and the slider is flexibly installed on the guide rail. The slider is penetrated sequentially from front to back in a longitudinal direction, and can be	Automotive parts and other products

Year	R&D results	Description	Scope of application
		horizontally installed with the first support base, second support base and third support base which are mutually parallel to each other. The first tube shrinking die and the second tube shrinking die are respectively installed on the first support base and the third support base, both of which are facing to the positioning and clamping mechanism. The horizontal pushing cylinder is arranged on the horizontally outer side of the single-axis robot, and its push rod can form a dismountable horizontal coupling with the first support base, the second support base and the third support base respectively.	
2018	Automatic welding of welding nut	Due to the high requirements on welding product quality and particularity of the welding type, this achievement can be used to eliminate lack of nut welding, redundant welding and ensure welding quality, and improve dimensional accuracy and stability.	Automotive parts and other products
2018	Automatic waste collection for upward blanking die	The achievement involves a die waste collection device, especially an automatic waste collecting device for upward blanking die, which includes a stripper plate connected to the upper die base and a knife edge insert fixed on the stripper plate; it also includes big stripper plate, which is fixed between the stripper plate and the upper die base; the reject chute, a continuous manger, is connected with the blank-holding hole of knife edge insert. The reject chute is located at the bottom of the big stripper plate or the top of the stripper plate; the material blowing tube is connected to the high-pressure gas source, and is fixed at one end of the reject chute. The material blowing tube is used for blowing away the waste materials in the waste chute; the feeding pipe is located at the other end of the reject chute, which is used for collecting the waste materials into the waste bins. The automatic waste collecting device for upward blanking die cleans up the wastes through high-pressure gas, realizing immediate cleaning, no waste accumulation, no influence in production, no need for manual cleaning, high production efficiency,	Automotive parts and other products

Year	R&D results	Description	Scope of application
		simple structure and convenient use.	
2018	Manipulator transmission mechanism for progressive die of auto seat rail	The achievement is a manipulator transmission mechanism for progressive dies of auto seat rails, which can solve the problems of low processing efficiency, unstable product processing size and high production costs when using the traditional instant-die transmission mechanisms for processing car seat rails. It includes stamping machine and progressive die. The counter-die structure of the progressive die is installed on the lower table of the stamping machine. The materials and parts are horizontally and levelly conveyed along the progressive die; the lower table of the stamping machine is located in the two longitudinal sides of the counter-die structure, which is respectively equipped with a mechanical arm. The two mechanical arms are arranged in parallel along the horizontal level, and the two mechanical arms are respectively provided with one-to-one corresponding manipulator grippers on each side of the counter-die structure. Each manipulator gripper is facing to a processing station of the progressive die. The two ends of the mechanical arm are connected to a driving device for driving the robot arms to move in the horizontal and vertical directions.	Applicable to automotive parts and other products
2018	Tubular pipe expanding die	This achievement can achieve the following three beneficial effects: 1. Concentricity is free of adjustment (the precision pipe expanding die can provide a good concentricity) 2. No shaping is required, and the requirements can be met by one-time pipe expansion (tolerance is about $\pm 0.05\text{mm}$) 3. Easy to strip.	Applicable to automotive parts and other products
2018	Tubular multi-hole automatic stamping die	The achievement involves a tubular, multi-hole and automatic stamping die. The punch is fixed on one end of the sliding seat. The sliding seat is installed on the lower template, and is located on both sides of the steering circular tube. There are multiple punches, which are corresponding to the holes on the steering	Applicable to automotive parts and other products

Year	R&D results	Description	Scope of application
		circular tubes. The positioning block is located between the two sliding seats. The center of the positioning block is provided with a positioning round hole, and there are multiple punch holes on both sides. The punch holes are connected to the positioning round holes and matched with the punches. The punches are flexibly inserted into the punch holes; the die-core round rod is installed on the lower template through the fixing seat of die core. The die-core round rod is located in the positioning round hole of the positioning block, and is coaxial with the positioning round hole. The center of the die-core round rod is provided with a discharge hole. The punching hole is connected to the discharge hole, and the punching hole is matched with the punch; the loading and unloading devices are used to insert and push the steering circular tube in / out the positioning round hole. The die can realize rapid assembly, feeding, punching and returning with high processing dimension accuracy, good stamping stability, high production efficiency, and low production cost.	
2019	High-precision auto engine timing chain guide rod bracket fastening detection device	This project is to develop a high-precision auto engine timing chain guide rod bracket detection device, which is applied to the stamping production of auto engine timing chains. It uses the fastening detection technology to efficiently detect the fastening products and avoid human detection error and waste of resources, thereby improving production efficiency and market competitiveness.	Applicable to automotive parts and other products
2019	Bilateral automatic pendulum device	Compared to two sets of unilateral automatic pendulum mechanism, the bilateral automatic pendulum mechanism reduces an operator and a punch press. Averagely, one stroke produces two products in 10s, and one product in 5s, which improves the production efficiency. Save lots of costs and improve market competitiveness.	Applicable to automotive parts and other products
2019	Automatic clamping mechanism of auto horn element	By developing and using the automatic clamping mechanism, most of the manual clamping operations are replaced, thus avoiding manual error in operation. It makes fast and automatic clamping of auto horn	Applicable to automotive parts and other

Year	R&D results	Description	Scope of application
	based on precise plastic coating process	components come true. It also creates conditions for future mass production, free of tedious manual operations, saving processing time, eliminating potential safety hazards for operators, and improving the working efficiency of the machine.	products
2019	One-step die-cutting die for auto engine exhaust system components based on fine stamping and forming process	Compared to the traditional multi-step die-cutting, the new one-step die-cutting die reduces the positioning deviation caused by multiple transmission of the product in the die, thereby improving the accuracy of the product. For the traditional mechanism, the insufficient swaging contact caused by the multiple-operation die-cutting will lead to deformation of the hole die-cutting section. The new structure perfectly solves this problem, and the appearance of the product has also been improved. Meanwhile, the new structure can still well balance the strength of the punch and the blade.	Applicable to automotive parts and other products
2019	Laser displacement sensor device for welding robot	The traditional detection is completed by corresponding a sensor to each workpiece on the fixture, and wrapping the sensor in the fixture, leading to a high frequency of replacement under the high temperature caused by welding. The laser displacement sensor is installed on the manipulator to replace the existing proximity sensor, which can achieve the "one-to-many" detection effect. According to the characteristics of the laser displacement sensor, it can detect the product from distance, avoiding damage caused by high temperature and splash, reducing maintenance time, reducing the loss of items, and improving production efficiency.	Applicable to automotive parts and other products
2019	Composite material stamping die for mobile phone mid-plate	The die by which two mid-plates can be formed through one-time die casting can efficiently produce mobile phone mid-plates.	Applicable to mobile phone products
2019	High-precision visual inspection device for auto steering adjustment bracket	The high-precision visual inspection device for auto steering adjustment bracket developed by this project can simultaneously detect whether the welded products are lack of parts and processes, and determine whether the weld seam reaches standard, thereby eliminating the uncontrollability of manual	Applicable to automotive parts and other products

Year	R&D results	Description	Scope of application
		detection.	
2019	Thin composite vapor chamber for thermal module	This project is to develop a thin composite vapor chamber for thermal module with high processing efficiency, low cost, no pollution, and thin depth, which is free of more sleeve, easy to use and has good capillary conductivity.	Applicable to 3C electronic products
2019	Heat dissipation structure of condenser	It is a heat dissipation structure of condenser, including a heat exchange module and a casing. The heat exchange module has a large number of internal channels, and each internal channel is divided into a high-pressure area and a low-pressure area. There is a cold air source beside the low-pressure area. At least one water inlet is set under the high-pressure area. At least one water outlet is set under the low-pressure area corresponding to the water inlet. Multiple connection channels are set in the inner channel that is far from the water inlet and water outlet. All the connection channels connect the high-pressure areas and the low-pressure areas. The heat exchange module is put inside the casing. The incoming steam passes through the connection channel with the longest path. Therefore, a maximum contact area can be reached for the internal flow circulation of heat exchange module, so as to improve the entire heat dissipation efficiency.	Applicable to server
2019	Improved heat dissipation structure of evaporator structure	It is an improved heat dissipation structure of evaporator, including at least one heat dissipation element. The heat dissipation element has an external wall panel, at the bottom of which there is an internal wall panel stretching upwards. The internal wall panel separates the inner bottom of the external wall panel into two water evaporation areas, and forms a gas concentration area at the inner top of the external wall panel. Multiple heat dissipation elements are arranged in series in the same direction and combined into a thermal module, which is sealed in a casing as the improved heat dissipation structure of evaporator.	Applicable to server
2019	Steady flow supercharging device of	It is a rapid heat dissipation and steady flow supercharging device for condenser, including a heat exchange module and a casing. The heat exchange	Applicable to server

Year	R&D results	Description	Scope of application
	condenser	module is assembled by stacking a large number of heat exchange elements, with lots of inner channels parallel to each other, in series. The heat exchange module has a high-pressure area with an air inlet and a low-pressure area with a water outlet. There is at least one channel on the heat exchange module, and the heat exchange module is installed in a casing. The pressure difference between the low-pressure area and the high-pressure area can drive the water in each of the inner channels to flow to the low-pressure area more quickly, thereby improving the efficiency of use.	
2019	Steady flow supercharging device of evaporator	It is a steady flow supercharging device of evaporator, including a thermal module and a casing. The thermal module is assembled by stacking a large number of heat dissipation elements, each of which has the first panel, the second panel and the third panel, thereby forming a half-opened internal flow channel inside the heat dissipation element. The fourth panel is positioned at each end of the heat dissipation elements corresponding to internal flow channel. There is a water inlet and an air outlet on the thermal module, which is installed in the casing and outer cover. The fourth panel can effectively block the two ends of each inner flow channel, so that the gaseous water heated and evaporated in the inner flow channel can be effectively retained in each inner flow channel, and the internal pressure can be quickly lifted, so that the gaseous water can be stably and quickly exhausted to the air outlet.	Applicable to server

(IV) Short-term and Long-term Business Development Plans

Short-term:

1. The metal stamping technology is widely used to stabilize the original 3C electronic product market, and expand actively the scope of product lines. In terms of automobile parts, we will continue to seek new customers. At the same, we will actively research and develop other products to reduce operational risks.
2. Actively maintain the cooperation relationship with existing customers, keep track of market information and win orders for new models. Work closely with customers, provide customer information in the early stage of development, and strengthen cooperation with customers.
3. Follow the development and updated trend of automobile manufacturing technology, actively develop laser welding technology to meet the market demand. Fully implement the technical advantages of the company robot welding, CMT arc welding and laser welding, undertake the assembly demand of customer assembly, and improve the added value of products.
4. In the world automobile market, new energy vehicles are developing rapidly. According to the information collected at present, major automakers will launch a number of new electric vehicles to markets around the world in the future. The company will continue actively to strive for stamping parts orders of electric vehicles platform, especially the related stamping parts in battery assembly components, and give priority to the production of new energy vehicles components.
5. Expand the plastic packaging business of stamping parts, and provide customers with more convenient and complete services.
6. Continue to strengthen the R&D capabilities of Taiwan R&D Center, and increase investment in R&D expenses.
7. Take advantage of the latest new technology, actively strive to explore some specific application areas of thermal module, such server, medical equipment and AR (augmented reality), VR (virtual reality), MR (mixed reality), etc.
8. Strengthen the R&D investment in server slide, further expand the production capacity of slide rail, and improve the production management capacity in response to the increasing market demand for the server slide.
9. The company will take the Czech factory as the base, take advantage of the geographical advantages close to customers, and actively participate in the customer's new product development process, and take the lead to win subsequent orders for the group.
10. Grasp the advantages of mainland China in 5G application. Strive for participating in 5G supply chain to achieve more revenue and improve the company's profitability.

Long-term:

1. Assembly and finish product production based on component manufacturing to provide customers with a one-stop service and expand the business scale.
2. For the company's current product line, such as thermal module, hinge, slide and

other products, launch new generation products through the continuous investment of research and development, in order to gain a larger market share.

3. Continuously improve the service quality of overseas customers to gain more share of overseas market. Continue to strengthen the layout of overseas business markets in Europe, America and Japan to improve the company's future business performance.
4. Try to introduce strategic partners and integrate upstream and downstream resources to enhance the company's competitive advantage.
5. Engage in the vertical integration of the thermal industry chain to strive for diversified development of products and strengthen the risk response capacity of the company.
6. Actively develop new customers of well-known enterprises in mainland China and realize the two-way sales structure in both domestic and foreign markets.

II. Analysis of the Market as well as Production and Marketing Situation

(I) Market analysis

1. Sales region(s) of main products

Unit: NT\$1,000; %

Geographical region \ Year	2018		2019	
	Amount	Ratio	Amount	Ratio
Asia	5,689,541	94.15	4,562,467	90.48
America	164,330	2.72	289,472	5.74
Europe	189,219	3.13	190,718	3.78
Total	6,043,090	100.00	5,042,657	100.00

2. Market share

The company's main products include thermal components for mobile phones, notebooks and servers, as well as auto parts and building parts. By now, the company and its subsidiaries have transformed from the production of thermal fin to the production of complete thermal modules. Our sales targets are high-end customers in Japan and the U.S., among which the company and its subsidiaries have a good market share. In addition, the company and its subsidiaries keep conducting market research and investigations, continue to improve the existing production processes, and are committed to developing products with higher added value, which further improves the company's competitiveness and profitability, and maintains the company's market position and share.

3. Supply and demand, growth and competition niche of future market:

(1) Supply and demand:

There are numerous manufacturers of metal stamping products both at home and abroad, with a great difference in production scale and product precision. The company's current main products can be divided into 3C electronic components, automotive stamping components and other stamping products. 3C electronic components principally are thermal components for mobile phones, notebooks and servers. The market supply and demand are closely related to the downstream industries.

(2) Growth

A. Information

The output value of the information industry mainly comes from the traditional personal computer (notebook, desktop) and tablet markets, but the computer market has gradually become saturated, and the consumer use habits have changed, greatly improving the usage of smart mobile devices, and excluding the willingness to buy traditional computers. According to preliminary statistical results of Gartner, an international research and consulting agency, the shipment of global PCs (including desktop PCs, notebook PCs and top ultramobile models) in 2019 was about 261 million

units, increasing by 0.6% compared with that in 2018. This was the first growth in PC market since 2011, mainly due to the massive commercial demand brought by the Windows 10 replacement trend.

Unit: 1,000 units

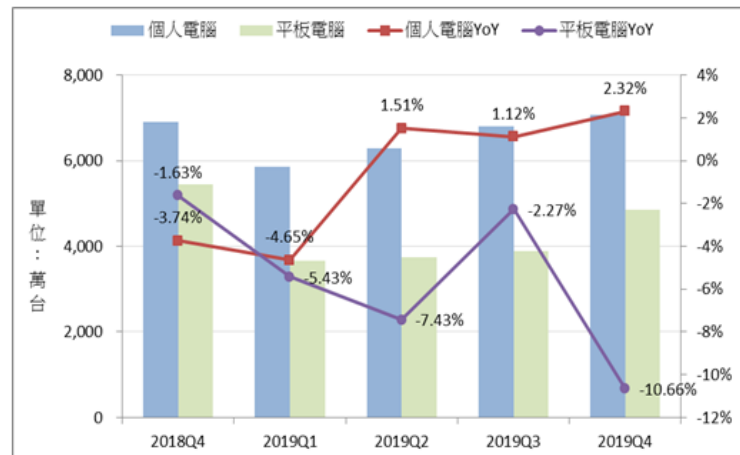
Company	2019 Shipments	2019 Market Share (%)	2018 Shipments	2018 Market Share (%)	2019-2018 Growth (%)
Lenovo	62,968	24.1%	58,257	22.4	8.1%
HP Inc.	57,922	22.2%	56,252	21.7	3.0%
Dell	43,956	16.8%	41,790	16.1	5.2%
Apple	18,350	7.0%	18,522	7.1	-0.9%
Acer Group	14,762	5.7%	15,729	6.1	-6.1%
ASUS	14,476	5.5%	15,425	5.9	-6.2%
Others	48,804	18.7%	53,788	20.7	0.6%
Total	261,237	100.0	259,763	100.0	0.6

Note: The above data covers desktop PC, notebook PC, and top-level ultramobile types (such as Microsoft Surface), excluding Chromebook and iPad. All data are estimated based on the results of the preliminary investigation, and the final valuation may change. The shipment sold onto the sales channels prevails for the statistical data.

Source: Gartner (Jan. 2020)

According to statistics from market survey agencies Gartner and Strategy Analytics, although the Intel CPUs in 2019 was out of stock and the US-China trade war affected global PC shipments, the company still benefited from the continuous upgrade of the Windows 10 operating system by enterprises, boosting the increase of commercial PC market. Moreover, the new products of processors and display cards have been launched one after another. For instance, in April, Intel launched the series products of the 9th generation of Intel Core processor; in July, AMD released 7nm process of Ryzen 3000 series processor and Radeon RX 5700 series display cards, and NVIDIA also launched the GeForce RTX 20 Super series display cards. In the second half of the year, the shortage of Intel CPUs was gradually eased. In addition, PC brand factories stocked up in advance due to the risk of additional tariff. Therefore, according to the statistics from market survey agency Gartner, the global PC shipment in 2019 was 261 million units, with an annual increase of 0.6%. It is the first growth since 2012. Additionally, in terms of tablet PCs, although there is still a certain market demand for commercial tablet PCs used for education and catering, consumer tablet PCs are subject to saturation due to market demands. The substituting effect of large-size smartphones continues to make the tablet PCs become more dispensable. The introduction of smart speakers also disperses the sales momentum of lower-end tablet PCs. Therefore, according to the statistics from market survey agency Strategy Analytics, in 2019, the global shipment of tablet PC was 160 million units, with an annual reduction of 7.45%.

Global PC and tablet shipment change trends



Note 1: Personal computers include desktop computers, notebook computers, and workstations, excluding tablet computers.

Note 2: Tablets include slate tablets and detachable tablets.

Source: Gartner, Strategy Analytics, Taiwan Industry Economics Services (Feb. 2020)

Overall, although the shipment of global tablet PC continued to decline in 2019, the PC market has benefited from commercial replacements and the advancing stock requirements for the US-China trade war, which helped increase the demand for computer peripherals in this industry. However, due to the rapid spread of COVID-19 in China since the end of 2019, Taiwan plants in Mainland China extended the date of work resumption after Chinese New Year in 2020. Besides, due to the city lockdown by the Chinese government and the expanded scale of control, manpower, logistics, road opening and production capacity after the work resumption are all in uncertain states, affecting the production, logistics and transportation of the supply ends. In addition, the epidemic impacts consumer confidence in the end markets, especially the impacts on the consumer PC markets, which is worse than the commercial markets. According to the survey of Canalys, it is estimated that the global PC shipment in the first quarter of 2020 will decline by 10.1% to 20.6% compared with that of the same period in 2019 and by 8.9% to 23.4% in the second quarter compared with that of the same period in 2019, indicating a poor global PC market in the first half of 2020, the shipment will drop significantly, which then drags down the shipment performance of computer peripherals in this industry. However, in Europe and America, the lockdown of cities for epidemic prevention brings more obvious impact to commerce and education types. Due to shutdown of computer factories in China, all brands have a low level of channel inventory, which will promote the rebound of demand in the second quarter.

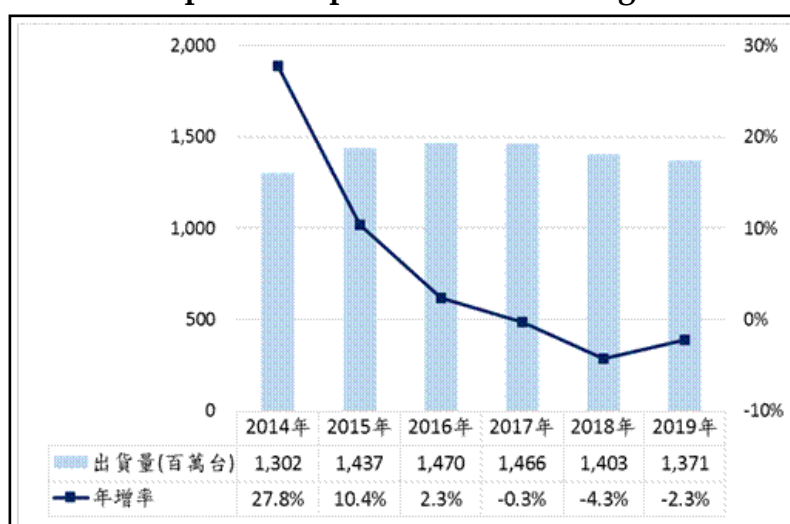
B. Mobile phone

In 2019, mobile phone brands, for the purpose of stimulating market demand, kept improving product specifications and accelerating functions of multi-camera design and under-screen fingerprint identification. However, as limited by the development bottleneck of smartphone and longer replacement cycle, the smartphone market demand lacked momentum. Interfered with

US-China trade war, technological war and other factors, in China, the world's largest smartphone market, consumption willingness were impacted, which has led to economic growth slowdown and decreased sales of smartphone. The Chinese government released 5G commercial license in advance, driving local telecom operators to launch 5G commercial services in advance, promoting sales of 5G mobile phone. But due to the limited 5G service coverage and the relatively high price of 5G mobile phone, the initial shipment of 5G mobile phone was limited, and the overall market demand was not well promoted, therefore, the smartphone market of China in 2019 continued to drop. By contrast, due to increasing penetration of 4G communication service and introduction of differentiated phone models by major mobile phone brands focusing on local needs, India, Indonesia, the Middle East, Africa and Eastern Europe had increased demand growing sustainably. However, as the base period gradually increased, the growth slowed down in 2019.

Generally speaking, after years of development, the global market penetration rate of smartphones has been high. In face of development bottleneck of product functions, and transition period from 4G to 5G for mobile communication, consumers turn to wait and see, which impacts the replacement demand. Therefore, under the influence of lack of growth momentum in the European and American markets, demand decline in Chinese market and growth slowdown in emerging markets, the shipment performance of global smartphone market continued to slump. According to the survey data of International Data Corporation (IDC), the shipment of global smartphone markets in 2019 was only 1.371 billion, decreasing by 2.3% over 2018, showing a recession trend for three consecutive years.

Global smartphone shipments and annual growth from 2014 to 2019



Source: IDC, Taiwan Industry Economics Services (Jan. 2020)

Entering 2020, affected by COVID-19 epidemic, the assembly operators and OEMs of mobile phones are facing crises. However, as countries around the world continue to promote 5G commercialization, more and more people will change their phones, so that the shipment in the global smartphone market will slightly increase, instead of slowly decreasing year by year. In the mobile phone

manufacturing industry, the assembly operators and OEMs of mobile phones will benefit from the significant increase in the shipment of the global 5G mobile phone market, and the unit price of 5G mobile phones significantly higher than that of 4G mobile phones.

All in all, the continued expansion of the COVID-19 epidemic has a significant impact on the operation of the mobile phone manufacturing industry in the first half of 2020. With the gradual increase of Chinese market demands in the second half of 2020 and affected by 5G-enabled iPhones, the shipment of the 5G mobile phones is expected to increase significantly, and the mobile phone manufacturing industry will gradually stabilize. It is expected that there will be a slight decrease in the mobile phone manufacturing industry in 2020, and the decrease will be in an amplitude smaller than that of 2019. It should be noted that if the COVID-19 epidemic cannot be gradually controlled in the second quarter of 2020, the demands for new machine stocking in the second half of the year will be impacted. The COVID-19 epidemic will be an uncertain factor impacting the decreasing amplitude of the mobile phone manufacturing industry in 2020.

C. Server

With the rapid development of the Internet, users' demands for information delivery speed are also increasing, which further drives the trend of cloud computing. With the successive launch of new services and solutions by major cloud vendors, the cloud has been regarded as the future development direction of the global information technology. Driven by the cloud, the functions of the server have changed from the previous database application to the cloud storage and computing. Users can use servers to store and manage their personal information and use the service on the different devices through the cloud computing platform to reduce the weight of electronic products. Servers can also reduce the internal information management of enterprises and reduce energy consumption with the advantages of economy and efficiency. In recent years, the technologies of servers continue to develop toward high-density and miniaturization.

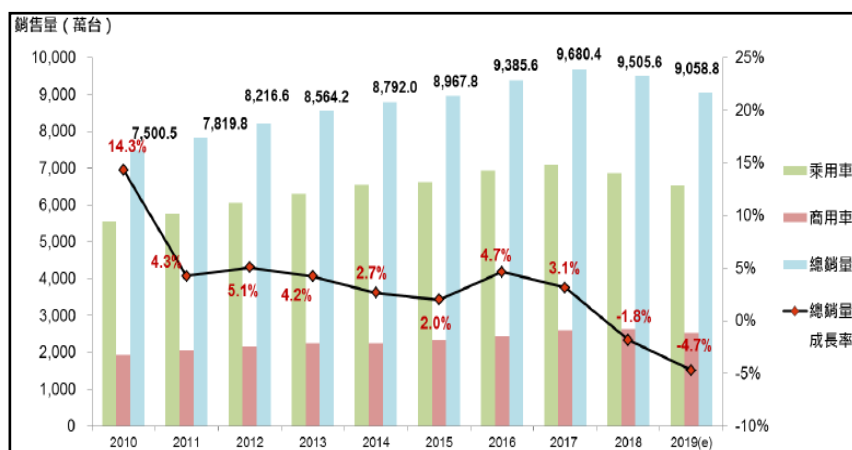
According to the DIGITIMES Research survey and research results, global server shipments throughout 2019 will be affected by the increase in tariffs imposed by the US-China trade war in the first half of the year and large data centers pulling goods ahead of schedule in 2018. Driven by factors such as the increase in the demand for large-scale data centers in the United States and the server market in mainland China, it began to return to the right track of growth, with a decline of 1.2% throughout the year. In the first quarter of 2020, due to the strong demand for large data centers, the original forecast of global server shipments will increase slightly by 1.2% quarterly, but the pneumonia epidemic affects the normal operation of the entire supply chain, and the shipment is expected to decrease by 9.8% quarterly.

D. Automobile

According to the IEK investigation and research results, people's willingness to

buy cars was affected, because it was hard for mainland China to implement the industrial transformation and upgrading throughout 2019, the government has adopted strategies such as capacity reduction, destocking, deleveraging, cost reduction, and dynamic balance between supply and demand, affecting the income stability of the relevant employees and the impacts of the US-China trade war are growing. In addition, due to the negative impact of the continued US-China trade war and rising car loan interest rates, the global auto sales was 90.588 million in 2019, declining by 4.70% over 2018.

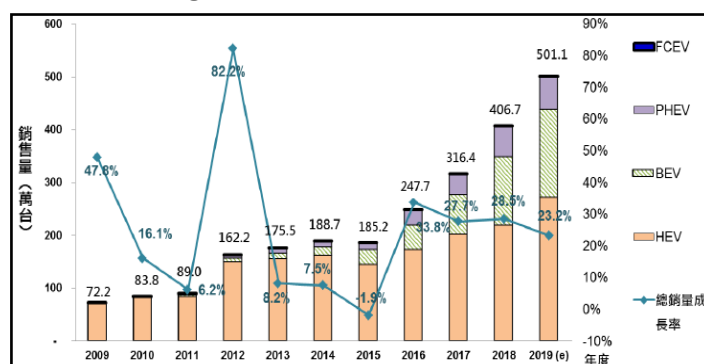
Automobile sales and changes from 2010 to 2019



Sources: OICA (Sep. 2019); Marklines (Sep. 2019); ISTI, ITRI (Oct. 2019)

According to the IEK investigation and research results, under the trend of energy saving and carbon reduction in 2019, the global sales of electric passenger vehicles steadily increased. Electric vehicle is one of the necessary strategic paths for manufacturers to respond to future international standards. Driven by this driving force, the sales of the global electric vehicles exceeded 4 million in 2018, and maybe 5 million in 2019. In addition, in 2019, the hybrid electric vehicles (HEVs) continued to play a major role in sales due to the characteristics of not changing the current habits of users. Supported by Japan, the United States and mainland China, it's sales accounted for about 54.2% of the total sales of electric vehicles; and supported by the sales of mainland China, the United States and Norway, the sales of the battery electric vehicles (BEVs) accounted for about 33.3% of the total sales of electric vehicles. Overall, the global sales of electric passenger vehicles in 2019 was about 5 million, increasing by 23.2% over 2018.

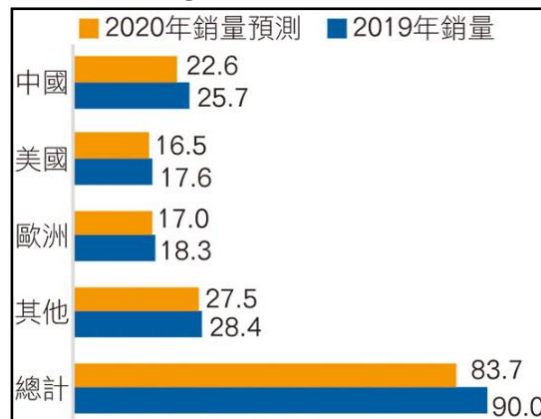
Sales and Changes of Electric Vehicles from 2009 to 2017



Source: Marklines (Sep. 2019); ISTI, ITRI (Sep. 2019)

According to Counterpoint research results, affected by the COVID-19 epidemic, China's automotive component factories have been shut down and a large amount of countries and cities in Europe and the United States are on lockdown, leading to a significant drop in demand in the auto market. The global vehicle demand may decline by 7% in 2020, especially in the first half of 2020.

2020 global vehicle sales forecast



Source: Counterpoint; DIGTIMES (Mar. 2020)

(3) Competitive niches

A. Excellent die development and design capabilities

Metal stamping is a process formed by applying external force to the metal relying on the stamping equipment and die. The die design and manufacture is the key to this process. Since the establishment, the company has been committed to design, R&D and manufacturing of precision die, and has established a special die development department. Through cooperation and exchanges with large die development companies in Europe and the United States, it has continuously improved its die development level. So far, the self-used dies are 100% developed all by itself.

The advanced nature of the company's die R&D and design is demonstrated in two aspects: the company conducts analogue analysis for dies to simulate the potential problems in the actual assembly and debugging phase in advance by using PressCAD and Keycreator software in the die design stage. Meantime, in order to promote the standardization of die development and manufacturing, the company develops the ERP software with a software development company specifically for die development and manufacturing, significantly improving its die development efficiency. For example, the die-sinking time of the thermal module products in the industry is about three weeks. The company can shorten it to 12 days with the standardization die production process. In addition, the company has advanced die production equipment, such as Japan's OKUMA CNC machining center and Swiss CHARMILLES wire cutting machine and other high-precision die manufacturing equipment, to ensure that the quality and precision of the dies produced are industry-leading.

The large three-plate multi-station concatenation die developed by the company can complete all forming processes such as ribbing, hole drawing, bending, deburring, bumping and deep drawing only using a set of dies according to the

structural characteristics and forming characteristics of the parts. Meanwhile, it has high-precision guidance and accurate distance setting system, and is provided with automatic feeding, automatic ejection and security detection devices for realizing automatic continuous stamping production. Compared with the traditional single-operation stamping production process, the large three-plate multi-station concatenation die improves the work efficiency by more than seven times, and reduces more than 70% of the staffs, and the die can be used for 10 million times and has reached the die technology level of developed countries.

B. Excellent quality control ability

The quality of metal stamping parts directly determines the quality of the complete machine products. Since its establishment, the company has passed the ISO14001:2015 and ISO / TS16949: 2009 quality control system certifications of AFAQ/BsetCERT,Ltd. It conducts quality control and management in strict accordance with quality control system and special customer requirements. Moreover, the company has purchased three-coordinate measuring machines produced by Hexagon and contourgraphs and other high-precision product quality measurement and test devices from Japan and Switzerland and other countries to strictly measure and control the quality of raw materials, production and shipment throughout the process to ensure that the company's product quality meets the certification requirements. The company is equipped with Minitab process analysis software to ensure the effective operation of the quality system and effective control of product quality.

Over the years, the company has gained recognitions of the customers with its product quality. From 2010 to 2014, it has won the Excellent Supplier Award of AUTOLIV, the world's largest automotive safety system manufacturer for many times, and has won the 2017 Best Cooperation Award and 2016 Quality Excellence Award of BorgWarner, the 2017 General Manager Award of Wuhan Tianhe and many other awards.

C. Rich product structure

The company has built diversified product lines and customer bases with its excellent die development and design capabilities and precise stamping technology. At present, its products can be used in communications, consumer electronics, home appliance, automotive, construction and medical industries, etc. The company also has fixed customers in different industries, which is not limited to a single product or a single industry, effectively reducing its operating risks. In addition, the levels of the company's stamping equipment range from 60t to 800t, meeting the different needs of customers.

D. Continuous R & D abilities

The company is mainly engaged in the R&D, production and sales of precision metal stamping components. Since its establishment, it has focused on the metal stamping and has improved its own technical reserves through continuous R & D and innovation. The company was recognized as Kunshan science and technology R&D institution by Kunshan Science and Technology Bureau in

2009. Since 2010, it has been recognized as a high-tech enterprise by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, State Tax Bureau of Jiangsu Province and Local Tax Bureau of Jiangsu Province. In 2013, it was recognized as a foreign-funded R&D institution in Jiangsu Province by Jiangsu Provincial Department of Science and Technology. In 2018, the R&D center passed the identification of Jiangsu Engineering Technology Center and Jiangsu Enterprise Technology Center; currently, China has 77 patent rights, including 28 patent rights for invention and 49 patent rights for utility model; Taiwan has 9 patent rights, including 4 patent rights for invention and 5 patent rights for utility model.

In the future, the company will continue to research and develop the technologies for large-scale high-precision progressive dies, 3D complex molding product progressive dies, and mechanical-electrical progressive dies and comprehensively use these technologies in stamping progressive dies, so that traditional mechanical theory and process molding die can become truly intelligent progressive dies with the help of mechanical-electrical integration and win market opportunities with fast and precise die sinking technology.

4. Favorable and Unfavorable Factors of Development Prospect and Countermeasures

(1) Favorable factors

A. Global layout

In addition to the production base in China, the company has set up branches in many countries and regions such as Taiwan of China, Mainland China, Thailand, the Philippines, the United States and the Czech Republic because there is a market plate movement caused by the increasing production costs in China, and the rise of trade barriers in various countries, and the company intends to provide customers with localized and most immediate production and sales services. Therefore, the company can make full use of China's advantageous production environment and effectively meet the domestic demands of China. It also arranges production bases in ASEAN region and arranges sales branches in Europe and the United States in order to meet the needs of customers in real time by nearby service and reduce the impacts of US-China trade war. Therefore, the company's global layout is an indispensable favorable factor affecting its future development.

B. Wide range of application of products

The company's products are used in many fields such as motor machinery, 3C, automotive electronics, building materials, sports equipment and medical care industry. Since the metal material has always been an indispensable element in various industries, the overall market of this industry is promising and it is worthy of continuous development. Although the industry has entered a mature stage, the industry's market will be able to grow steadily every year, unless the global economy encounters unfathomable major adverse factors. The company's products will be applied in more fields benefiting from the scale economies and ever-increasing design capabilities, providing a good environment and innate factors for the company's sustainable operation and

sustainable development.

C. Economies of scale and advantages of die design capabilities

The design and manufacture of dies is critical for stamping manufacturing and the purchase quantity of economies of scale is beneficial for reducing raw material procurement costs, which are critical for a company to maintain a competitive edge in the fierce market competition. Since the establishment, the company has been concentrating on design, R&D and manufacturing of precision dies, and established a special die development department to continuously improve its own die development level. At present, the company can develop dies all by itself for self-use and sell these dies to other stamping factories. With the high-precision product quality measurement and testing equipment, the entire process of the company's raw materials, production and shipment are strictly measured and controlled to ensure that the company's product quality meets certification requirements. In addition, the development and application of continuous dies improved the company's production efficiency and production capacity, so its business scale continues to grow. The company's ability to bargain in raw material procurement improves with the increase in economies of scale, making the company be a long-term partner for customers to jointly enhance their competitiveness.

(2) Unfavorable factors and countermeasures

A. Higher risk of enterprise management caused by short product life cycle

Currently, half of the products of the company are 3C consumer products which will be replaced frequently, so the efficiency is high in the entire production process. The products are characterized by short development time, more design changes, short production cycle and poor versatility of tailor-made parts without accurate production forecast information provided by the customers.

Countermeasures:

For such parts, the company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops 3C new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops automobile parts and building materials parts and other non-3C electronic stamping parts and components to strengthen the stability of the company's product structure and reduce the impact caused by 3C electronic products changing rapidly. In addition, Build-to-Order is preferred in the production schedule, raw materials in special specifications are strictly controlled, and the inventory is cut to decrease the loss of product stockpiling.

B. Many companies in the industry and fierce price competitions

According to the work summary of Confederation of Chinese Metalforming Industry in 2019, there are more than 45,000 members in the stamping industry across the country. Although there is a large number of companies in the industry, most of them have a relatively poor performance in terms of business philosophy, process development, product design, equipment and die and

human resources compared with the international advanced companies. The entire stamping industry is facing price competitions, many small and medium-sized enterprises have gradually withdrawn from the market, and the investment in equipment has been less than that of the past.

Countermeasures:

The company continuously improves technologies and introduces new technologies, shortens die sinking time, develops high-precision products, improves service quality, and maintains close cooperative relations with manufacturers to gain customer trust and stabilize the existing market. In addition, the company has continued to improve the management quality and effectively improve the operating efficiency. With the continuous improvement of existing technology and the development of diversified products, the company's competitive advantage can be maintained.

C. Frequent fluctuations of the price of raw materials

The company's products are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. Due to the unsettled market in recent years, the price of raw materials has changed frequently.

Countermeasures:

The company implements price management of quoted raw materials. When the new product cases are developed, the business personnel will record the quoted raw material price and notify the purchasing staffs. Purchasing Department will conduct the weighted average for the price of materials purchased each time and the stock price of raw materials in the inventory to obtain the price of raw materials in the inventory. After comparing and analyzing the quoted raw material price and the price of raw material in the inventory, the Purchasing Department can adjust inventory immediately to reduce the risk of raw material price fluctuations.

(II) Main Functions and Production Process of Main Products

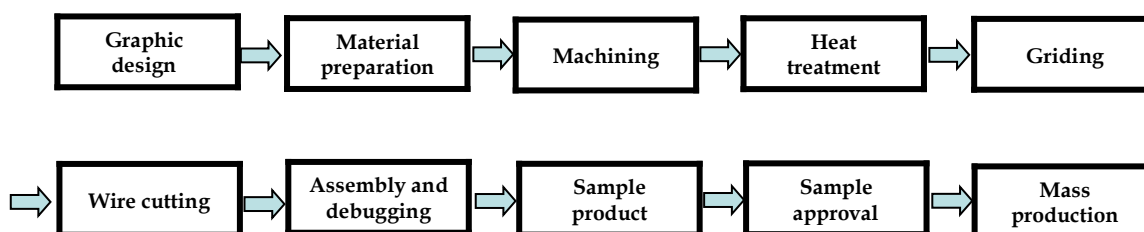
1. Major functions

Major products	Products (services) applications
3C electronics segment	Computers, radiators related stamping parts, servo slides
	Metal stamping parts for household air conditioners, ice machines and motors
	Mobile phone internals"uo, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Building material segment	Support fittings for sloping roof skylights and exterior wall plaque

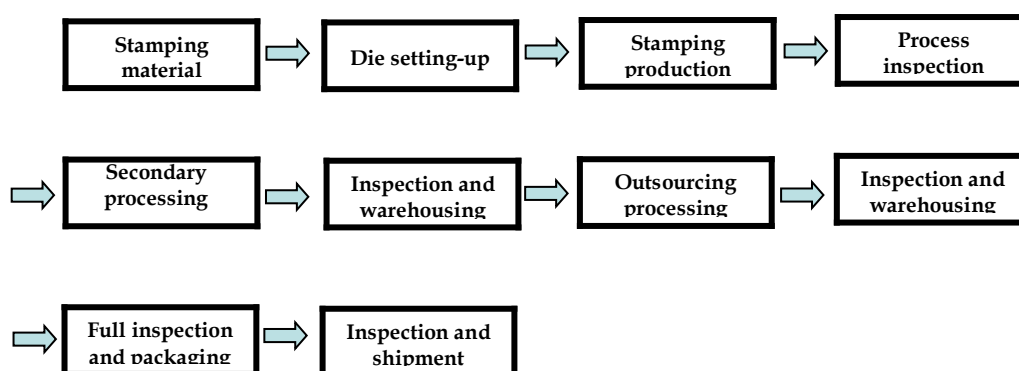
Major products	Products (services) applications
Dies and other segments	Molding tools, sports equipment

2. Production process

(1) Die production process



(2) Production process of stamping products



(III) Supply of primary raw materials

The company mainly engages in production and sales of precision metal stamping components, which are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. In recent years, the quality of raw materials provided by dealers in mainland China has been improved, and has met the needs of the company's customers. In consideration of cost and delivery time, the company mainly purchases raw materials from mainland China, and assesses suppliers' cost, quality and delivery time at regular intervals to ensure product quality and yield. It also maintains a close partnership with major raw material suppliers, and maintains more than two suppliers providing major materials such as copper, iron and aluminum to ensure the supply of raw materials and reduce the risk of shortage of materials, and the supply of raw materials should be evaluated as being in good conditions.

(IV) A list of any suppliers and customers accounting for 10% or more of the company's total procurement (sales) in either of the 2 most recent years, the percentage of total procurement (sales), and an explanation of the reason for changes in these figures

- Names of suppliers who accounted for more than 10% of the gross purchases of the company in the last two years, and the amount and ratio of purchases:

Unit: NT\$1,000

	2018				2019				Q1 2020			
Item	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer
1	A	424,781	10.35	None	None	-	-	-	T	38,344	11.99	None
2	-	-	-	-	-	-	-	-	E	36,120	11.29	None
3	-	-	-	-	-	-	-	-	U	35,969	11.24	None
4	-	-	-	-	-	-	-	-	A	34,592	10.81	None
	Others	3,680,075	89.65	-	Others	3,028,463	100.00		Others	174,859	54.67	
	Net purchase	4,104,856	100.00		Net purchase	3,028,463	100.00		Net purchase	319,884	100.00	

Main change reasons: In 2019, the main suppliers of the largest supplier remained unchanged, but the purchase amount has decreased. Therefore, the purchase amount accounted for less than 10% of the total purchase amount.

- Name and gross sales of major clients that have accounted for at least 10% of sales in either of the most recent two years, and the percentage against total sales:

Unit: NT\$1,000

	2018				2019				Q1 2020			
Item	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer
1	f	1,468,721	22.46	None	f	1,132,423	22.46	None	f	161,423	18.41	None
	Others	4,574,369	77.54		Others	3,910,234	77.54		Others	715,304	81.59	
	Net sales	6,043,090	100.00		Net sales	5,042,657	100.00		Net sales	876,727	100.00	

Main change reasons: In 2019, because of the impact of the US-China trade war, the sales amount of the largest customer declined.

(V) Production value in the most recent 2 years

Unit: NT\$1,000

Main products	Unit	2018			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
3C electronics segment	1,000 PCS	149,982	142,456	1,749,797	111,608	99,693	1,163,346
Vehicle parts segment	1,000 PCS	159,865	259,395	1,434,659	140,942	126,621	1,396,027
Building material segment	1,000 PCS	2,773	2,545	63,252	2,091	1,916	61,000
Dies and others	PCS/set	313	307	386,691	243	291	266,105
Total		-	-	3,634,399	-	-	2,886,478

(VI) Sales volume/value in the most recent 2 years

Unit: NT\$1,000

Primary commodity	Unit	2018				2019			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
3C electronics segment	1,000 PCS	409	22,238	504,159	3,849,448	981	31,135	291,209	2,814,188
Vehicle parts segment	1,000 PCS	0	0	256,315	1,705,041	0	0	117,511	1,749,079
Building material segment	1,000 PCS	0	0	2,679	76,076	0	0	1,980	76,140
Dies and others	PCS/set	57	42,842	1,103	347,445	72	141,549	233	230,566
Total		-	65,080	-	5,978,010	-	172,684	-	4,869,973

III. The number, average year of services, average age, and educational background of the employees in the most recent two years as of the publication date of the annual report

Year		2018	2019	The current year as of May 15, 2020
Number of employees	Direct Personnel	520	467	453
	Indirect Personnel	462	430	498
	Total	982	897	951
Average age		32.25	33.32	33.83
Average year of services		3.21	3.38	3.35
Educational background	PhD	0.00%	0.00%	0.00%
	Master	1.43%	2.12%	2.10%
	University	31.98%	34.78%	32.18%
	High school	34.22%	29.99%	31.44%
	Below high school	32.37%	33.11%	34.28%

IV. Disbursements for Environmental Protection

- (I) In the most recent years as of the publication date of the annual report, the losses due to the environment pollution (including indemnity) and total amount of punishment: All of the company's expenditures were normal (hazardous waste disposal fee, environmental monitoring fee and domestic garbage disposal fee, etc.), and the total expenditure was NT\$ 166,178 in 2019.
- (II) Countermeasures in future (including improvement measures) and possible expenditures (including the estimated amount of loss, punishment, and indemnity that may occur if no countermeasure is taken. If it cannot be reasonably estimated, give a reason): It is expected that the expenditure is approximately NT\$ 672,000 in 2020. The company regulates its internal management according to government requirements to avoid unreasonable expenditure.

V. Labor Relations

(I) Employee benefit measures

1. Employee benefits

(1) Republic of China:

Diversified employee benefits include labor insurance, health insurance, labor pension and group insurance, employee meal subsidies, employee health checks, departmental social dining, three-holiday cash gifts and wedding and funeral subsidies.

The communication channel is smooth and the employee complaint system is implemented, which includes a hotline, a suggestion box, an EM for complaint, and a sexual harassment complaint mailbox.

Regularly hold labor-management meetings and conduct employee opinion surveys for the references for executives, internal operations, enhancing employee engagement and improving work input.

Regularly organize various activities, such as employee sports meets, family days, various sporting events and artistic and cultural activities, so that employees can have more leisure and social activities after work.

(2) Mainland China:

- A. Vacation: Public leave, annual leave, marriage leave, bereavement leave, maternity leave, etc. National statutory leave is paid leave.
- B. Insurance: In addition to the social insurance stipulated by laws and regulations, the company also purchases commercial insurance for some employees in special positions.
- C. Health: The company provides free physical examinations and follows up re-examination arrangements, reminds the employees every year, and assists them in medical consultation and hospital arrangements.
- D. Benefits on holidays: Distribute festival fees or holiday gifts to all employees on every national legal holidays such as: Spring Festival, Women's Day, Dragon Boat Festival, Mid-Autumn Festival, etc. In every summer, the company distributes heatstroke prevention subsidies and cooling items (such as mung bean soup and industrial ice cubes) to outdoor operators or people working indoors with the temperature beyond the law.
- E. Marriage, childbirth and birthday: The Personnel Division counts the list of employees for marriage, childbirth and birthday monthly, and issues wedding cash gifts, childbirth cash gifts and birthday cake coupons.
- F. Cultural activities:
 - a. In order to enhance the understanding and integration between employees, the company set up a Strategy Planning Office to create a harmonious working environment and a good interpersonal atmosphere for employees. The Strategy Planning Office will organize group activities and various sports activities from time to time, and plan the Welcome Party at the beginning of each year. In the Welcome Party, it will prepare incredible prizes and year-end employee commendations.
 - b. The company will sponsor each unit to organize tourism activities from time to time.
 - c. Establish cooperation with the Government Federation of Literary and Art Circles, and hold calligraphy, painting, photography and other public welfare trainings in the company every year to enrich the spare time of employees.

(3) Czech Republic:

- A. Pay social and health insurance for employees, which account for 25% and 9% of total wages, respectively, and conduct regular medical examinations.
- B. 20-day legal holidays + 5-day additional free days.
- C. Meals subsidized by the canteen.
- D. Liability insurance for machine operators.
- E. Free tea and pastries in the workplace.

F. Summer BBQ and Christmas party.

2. Employees' Continuing Education and Training

- (1) The company actively develops employees and enhances their professional capabilities. In addition to irregularly organizing internal education and training to enhance employees' skills and irregularly sending employees to participate in external training and studying, it also encourages employees to engage in advanced studies to improve work performance, so that employees can have long-term planning and investment in company services.
- (2) The results of the company's education and training in the most recent year are as follows:

Course	Total training hours	Fees (NT\$1,000)
Internal training of the company	44,633	6,219
External training of the company	780	

- (3) Finance personnel obtaining relevant qualifications specified by the competent authority:

Job title	Name	Organizer	Course title	Hours of courses
Financial and Accounting Managers	Lu, Chin-Yu	Accounting Research and Development Foundation	Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12
Assistant Accounting Manager	Chien,Yi-Ling	Accounting Research and Development Foundation	Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12

3. Retirement system

- (1) Taiwan, China:

Subject to "Labor Pension Act", the labor retirement reserve is paid on a monthly basis, and the pension is paid within 6% of the insured salary. The company has a sound financial system to ensure that employees are allocated and paid with a stable pension.

- (2) Mainland China:

"Employee's pension insurance" The company pays pension insurance for employees in accordance with the local regulations. As specified by the local social insurance operation method, pension insurance is included in social insurance (including medical, maternity, pension, work injury and unemployment). After going through the formalities for social insurance of new members, the company will begin to fulfill its obligations to pay pension insurance premiums for its employees.

4. Measures for safeguarding labor-management agreements and all employee rights and interests

Establish workers and employees' congress, and select employees' representatives to operate the congress and handle various employee welfare matters and labor-management relations. The company's relevant labor-management relations are well handled in accordance with relevant laws, and the implementation situation is good.

The company has always been committed to maintaining harmonious labor-management relations. So far, no major disputes or losses have occurred. In addition, various employee rights protection measures shall be taken in accordance with the relevant laws and regulations.

(II) List the losses due to labor disputes in the most recent year up to the publication date of this annual report, and disclose the estimated amount arising both at present and in the future and the countermeasures. If the amount cannot be reasonably estimated, facts of which estimation cannot be made shall be explained:

1. The company has always focused on labor-management relations. In the most recent year up to the publication date of this annual report, no labor disputes or losses caused by labor disputes have occurred.
2. The company has established an open communication channel between the employers and the employees, and the labor-management relations are rational and harmonious. In the future, if there are no other external factors impacting changes in the labor-management relations, no amount loss will occur.

VI. Important Contracts

Nature of contract	Counterparty	Effectiveness and termination/ cancellation date	Major contents	Restrictions
Lease contract	Kunshan Jinliang Plastic Electronics Co., Ltd.	2018.06.01 2021.05.31	Building lease contract of Lemtech Precision Material (China) Co., Ltd	None
Lease contract	Kunshan Shanghua Electric Appliance Complete Set Equipment Co., Ltd.	2019.04.03 2021.04.02	Building lease contract of Lemtech Precision Material (China) Co., Ltd	None
Lease contract	LCJ Invest, a.s.	2017.02.15 2022.02.14	Building lease contract of Lemtech Precision Material (China) Co., Ltd	None
Loan contract	DBS Bank (Taiwan)	2019.05.31 2022.05.31	Loan contract of Taiwan branch of Lemtech Holdings Co., Limited	None

Chapter 6 Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Condensed Balance Sheets

Unit: NT\$1,000

Year Item		Financial information in the most recent five years					Financial Information as of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		2,383,015	2,301,156	3,320,411	3,805,114	3,949,666	3,334,953
Property, plant and equipment		701,618	680,583	970,751	1,230,891	1,808,305	1,758,608
Intangible assets		23,714	23,557	22,565	22,634	42,204	39,436
Other assets		99,762	235,900	403,202	339,788	425,832	412,587
Total asset value		3,208,109	3,241,196	4,716,929	5,398,427	6,226,007	5,545,584
Current liabilities	Before distribution	1,184,172	1,485,819	2,956,336	2,732,067	2,974,160	2,312,811
	After distribution	1,421,419	1,643,983	3,055,189	2,830,920	(Note 2)	(Note 2)
Non-current liabilities		235,216	229,428	140,981	792,256	1,281,354	1,250,007
Total liabilities	Before distribution	1,419,388	1,715,247	3,097,317	3,524,323	4,255,514	3,562,818
	After distribution	1,182,141	1,557,083	2,998,464	3,623,176	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent		1,629,876	1,396,350	1,474,912	1,857,623	1,953,321	1,965,126
Share capital		395,411	395,411	395,411	395,411	474,720	474,720
Capital surplus		749,005	747,057	678,811	784,347	802,102	802,686
Retained earnings	Before distribution	438,866	269,307	392,869	676,490	744,848	783,844
	After distribution	201,619	111,143	294,016	577,637	(Note 2)	(Note 2)
Other equity interest		46,594	(15,425)	7,821	1,375	(68,349)	(94,083)
Treasury stock		-	-	-	-	-	(2,041)
Non-controlling interest		158,845	129,599	144,700	16,481	17,172	17,640
Total equity	Before distribution	1,788,721	1,525,949	1,619,612	1,874,104	1,970,493	1,982,766
	After distribution	1,551,474	1,367,785	1,520,759	1,775,251	(Note 2)	(Note 2)

Note 1: The financial information in the most recent year was audited or reviewed by a CPA

Note 2: It is filled in based on the resolution of the shareholders' meeting in the next year.

The 2020 annual shareholders' meeting has not yet been convened.

(II) Condensed Income Statements - Consolidated

Unit: NT\$1,000

Item \ Year	Financial information in the most recent five years					Financial Information as of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	2,927,364	3,197,375	4,255,549	6,043,090	5,042,657	876,727
Gross profit	723,739	761,428	872,771	1,286,070	1,031,009	220,969
Operating profit (loss)	301,927	319,948	340,548	605,959	393,883	75,224
Non-operating income and expenses	(40,513)	(48,068)	53,772	(63,795)	(57,025)	(13,239)
Net income before tax	261,414	271,880	394,320	542,164	336,858	61,985
Net income from continuing operations	202,316	100,013	314,516	405,403	262,339	40,191
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	202,316	100,013	314,516	405,403	262,339	40,191
Other comprehensive income (loss) in this period (net value after tax)	(17,535)	(68,301)	22,199	(9,189)	(69,514)	(25,877)
Total comprehensive income	184,781	31,712	336,715	396,214	192,825	14,314
Net income attributable to shareholders of the parent	196,320	67,688	298,368	382,474	259,447	39,580
Net income attributable to non-controlling interests	5,996	32,325	16,148	22,929	2,892	611
Total comprehensive income attributable to owners of the parent	178,462	5,669	321,614	376,028	189,723	13,846
Total comprehensive income attributable to non-controlling interests	6,319	26,043	15,101	20,186	3,102	468
Earnings per share	5.19	1.71	7.55	9.67	5.47	0.83

Note: The financial information in the most recent year was audited or reviewed by a CPA

(III) Auditor's Opinion for the Most Recent Five Years

Year	CPA firm	CPA	Audit opinion
2015	Deloitte & Touche	Chen, Hui-Ming Hsieh, Ming-Chung	Unqualified opinion
2016	Deloitte & Touche	Lee, Li-Huang Hsieh, Ming-Chung	Unqualified opinion
2017	Deloitte & Touche	Lin, Yi-Hui Lee, Li-Huang	Unqualified opinion
2018	Deloitte & Touche	Chih, Jui-Chuan Lee, Li-Huang	Unqualified opinion
2019	Deloitte & Touche	Lee, Li-Huang Chih, Jui-Chuan	Unqualified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) Financial analysis

Analysis item \ Year		Financial analysis for the most recent five years					Current year as of March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of liabilities to assets	44.24	52.92	65.66	65.28	68.35	64.25
	Ratio of long-term capital to property, plant and equipment	282.68	246.62	169.14	199.09	160.43	163.80
Solvency	Current ratio (%)	201.24	154.30	112.32	139.23	132.80	144.19
	Quick ratio (%)	175.60	118.13	88.35	102.48	105.17	110.30
	Times interest earned ratio	19.27	23.13	18.89	12.88	6.72	5.93
Operating ability	Accounts receivable turnover rate (times)	3.14	3.11	2.84	2.94	2.34	2.01
	Average days for cash receipts	116.10	117.23	128.71	124.02	155.98	181.28
	Inventory turnover rate (times)	7.82	6.25	6.02	6.08	4.90	3.31
	Payables turnover rate (times)	3.18	3.88	3.94	3.78	2.60	1.93
	Average days for sale of goods	46.67	58.40	60.68	60.07	74.49	110.37
	Turnover rate for property, plant and equipment (times)	4.17	4.70	4.38	4.91	2.79	1.99
	Total asset turnover rate (times)	0.91	0.99	0.90	1.12	0.81	0.63
Profitability	Return on assets (%)	5.26	3.36	8.39	8.77	5.37	3.34
	Return on equity (%)	13.49	6.03	20.00	23.21	13.65	8.13
	Ratio of income before tax to paid-in capital (%)	66.11	68.76	99.72	137.11	70.96	52.23
	Dividend rate (%)	6.91	3.13	7.39	6.71	5.20	4.58
	Earnings Per Share (NT\$)	5.19	1.71	7.55	9.67	5.47	0.83
Cash flow	Cash flow ratio (%)	13.53	0	0.18	15.53	34.28	13.31
	Cash flow adequacy ratio (%)	43.50	32.77	18.37	23.14	45.27	55.74
	Cash reinvestment ratio (%)	0	0	0	9.99	24.80	8.21
Leverage	Operating leverage	1.57	1.47	1.43	1.35	1.67	1.88
	Financial leverage	1.05	1.04	1.07	1.08	1.18	1.20
Description of causes for changes to various financial ratios in the most recent two years: (analysis would not be required if the increase and decrease is within 20%) 1. Decrease in interest cover: Mainly caused by the decline in the current net profit before tax in 2019, and the increase in interest expense over the same period last year. 2. Decrease in accounts receivable turnover: Mainly caused by the decline in the current							

revenue.

3. Decrease in inventory turnover and payables turnover: Same as above.
4. Property, plant and equipment turnover: Mainly caused by the decline in the current sales, factories expansion and continuous increase in the purchase of machinery and equipment.
5. Total assets turnover: Mainly caused by the decline in the current sales and continuous increase in the average total assets.
6. Return on assets and return on equity: Mainly caused by the decline in the current net profit.
7. Ratio of income before tax to paid-in capital: Mainly caused by the decline in the current net profit before tax and the increase in paid-in capital over the same period last year.
8. Dividend rate: Mainly caused by the decline in the net profit after tax caused by the decline in the current revenue.
9. Earnings per share: Same as above.
10. Cash flow ratio: Although revenue in 2019 has declined, the amount of cash receivable in the current period has increased over the same period last year, resulting in an increase in the net cash flow of corresponding operating activities.
11. Cash flow adequacy ratio: Mainly caused by the increase in the cash collection of current accounts receivable over the same period last year, and the increase in net cash inflow from operating activities, resulting in an increase in the ratio.
12. Cash reinvestment ratio: Same as above.

Note 1: The financial information of the previous year has been verified and reviewed by a CPA. Earnings per share are figures before retrospective adjustment.

Note 2: The calculation formulas for financial analysis ratio are as follow

1. Financial structure

- (1) Liability to asset ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net amount of property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
- (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.

3. Business capability

- (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
- (2) Average collection days = 365/Receivables turnover rate.
- (3) Inventory turnover = Sales expense/ Average inventory value.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average sales days = 365/Inventory turnover ratio.
- (6) PP&E turnover ratio = Net sale/ Average PP&E value.
- (7) Total asset turnover ratio = Net sales/ Average total PP&E value.

4. Profitability

(1) Return on assets = [Net income after income tax + Interest expenses * (1 - tax rate)]/Average total assets.

(2) Equity remuneration rate = Net gain (loss) after tax/Average total equity value.

(3) Net profit rate = Net gain (loss) after tax/Net sales.

(4) Earnings Per Share (EPS) = (Gain (loss) attributable to the owner of the parent company - Dividend for preferred shares)/Weighted average of issued shares

(Note 4)

5. Cash flow volume

(1) Cash flow ratio = Net cash from business activities/Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.

(3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of PP&E + Long-term investments + Other non-current assets + Business capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income (Note 6).

(2) Financial leverage (DFL) = Operating profit/(Operating profit - Interest expenditures).

III. Supervisors' Committee Report for the Most Recent Fiscal Year's Financial Statements

Lemtech Holdings Co., Limited

Audit Report by Audit Committee

The 2019 Business Report, consolidated financial statements, and proposal of annual profit distribution are prepared by the company's Board of Directors. The CPAs of Deloitte Taiwan, Lee, Li-Huang and Chih, Jui-Chuan, have audited the aforementioned consolidated financial statements and issued the audit report.

The Audit Committee has reviewed the above books and statements submitted by the Board of Directors and has found no deviations. Therefore, pursuant to Article 14-4 of the Securities and Exchanges Act and Article 219 of the Company Act of the Republic of China, the Audit Committee hereby presents the audit report.

RESPECTFULLY SUBMITTED TO

Lemtech Holdings Co., Limited

Convener of the Audit Committee: Yang, Rui-Long

March 25, 2020

- IV. Financial Statements for the Most Recent Fiscal Year, including a CPA's Report, Two-year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Chart, and Notes or Schedules: Please refer to page 147 to 222 of the Annual Report.**
- V. A Company Individual Financial Statement for the Most Recent Fiscal Year Audited and Certified by CPA: The Company Only Issues Consolidated Financial Statements of the Parent Company and its Subsidiaries, and thus not Applicable.**
- VI. The Company shall Disclose the Impact on Financial Status in Case of Any financial Difficulties Experienced by the Company and its Affiliated Companies during the Most Recent Year up to the Publication Date of this Annual Report: None.**

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

- (I) The main reasons for the significant changes in assets, liabilities and equity in the past two years and their impacts:

Unit: NT\$1,000

Item \ Year	2018	2019	Difference	
			Amount	%
Current assets	3,805,114	3,949,666	144,552	3.80
Property, plant and equipment	1,230,891	1,808,305	577,414	46.91
Intangible assets	22,634	42,204	19,570	86.46
Other non-current	339,788	425,832	86,044	25.32
Total asset value	5,398,427	6,226,007	827,580	15.33
Current liabilities	2,732,067	2,974,160	242,093	8.86
Non-current liabilities	792,256	1,281,354	489,098	61.73
Total liabilities	3,524,323	4,255,514	731,191	20.75
Share capital	395,411	474,720	79,309	20.06
Capital surplus	784,347	802,102	17,755	2.26
Retained earnings	676,490	744,848	68,358	10.10
Other equity interest	1,375	(68,349)	(69,724)	(5070.84)
Non-controlling	16,481	17,172	691	4.19
Total shareholder	1,874,104	1,970,493	96,389	5.14
If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows: (1) Property, plant and equipment: Mainly caused by the continuous purchase of plant land and related equipment as operating needs. (2) Intangible assets: Mainly caused by the fair value arising from franchise acquired in a business merger and customer relationship. (3) Other non-current assets: Mainly caused by the goodwill arising from the acquisition of Lemtech Energy Solutions Corporation and Emtron Surface Treatment Limited in the current period. (4) Non-current liabilities: Mainly caused by the increase in bank loans and lease liabilities. (5) Total liabilities: Mainly caused by the increase in accounts payable, bank loans and lease liabilities. (6) Capital stock: Mainly caused by the increase in transfer of surplus to paid-in capital. (7) Other interests: Mainly caused by foreign institutions' conversion of large translation differences in the financial statements.				

- (II) Where the effect is of material significance, the annual report shall disclose the measures to be taken in response: No major impact on the company's finances and business.

II. Financial Performance

- (I) The main reasons for any material change in operating revenues, operating income, or income before tax during the past two fiscal years

Unit: NT\$1,000

Item \ Year	2018	2019	Increase (decrease)	Percentage of Change (%)
Net operating revenue	6,043,090	5,042,657	(1,000,433)	(16.55)
Operating costs	4,757,020	4,011,648	(745,372)	(15.67)
Gross profit	1,286,070	1,031,009	(255,061)	(19.83)
Operating expenses	680,111	637,126	(42,985)	(6.32)
Net operating profit	605,959	393,883	(212,076)	(35.00)
Non-operating income and expenses	(63,795)	(57,025)	6,770	(10.61)
Net income before tax	542,164	336,858	(205,306)	(37.87)
Income tax expenses	136,761	74,519	(62,242)	(45.51)
Net profit for this period	405,403	262,339	(143,064)	(35.29)
Other comprehensive income (loss)	(9,189)	(69,514)	(60,325)	656.49
Total comprehensive income attributable to owners of the parent	376,028	189,723	(186,305)	(49.55)
Total comprehensive income attributable to non-controlling	20,186	3,102	(17,084)	(84.63)

If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows:

- (1) Net operating profit: Mainly caused by the decline in the current revenue, resulting in a decrease in net operating profit over the same period last year
- (2) Net profit before tax: Mainly caused by the decline in the current revenue, resulting in a decrease in the net profit before tax over the same period last year.
- (3) Income tax expense: Mainly caused by the decline in the current revenue, resulting in less relevant income tax expense estimated in current period.
- (4) Net profit of the term: Mainly caused by the decline in the current revenue, resulting in a decrease in net profit of the term over the same period last year.
- (5) Other comprehensive profits and losses: Mainly caused by devaluation of USD and RMB, resulting in an increase in exchange difference loss of translation to the presentation currency.
- (6) Total comprehensive income (loss) attributable to owners of the parent company: Mainly caused by the decline in the current profits.
- (7) Total comprehensive income (loss) attributable to non-controlling interests: Mainly caused by the decline in the current profit of stock rights held by non-controlling interests over the same period last year.

- (II) The expected sales and its basis, the possible impact on the company's future financial business and the countermeasures: No significant impact on the company's finance and business.

III. Cash Flow

(I) Analysis on the changes in cash flow in the most recent fiscal year

Units: NT\$1,000 ; %

Item	2018	2019	Increase (decrease)	Increase (decrease) percentage (%)
Operating activities	424,551	1,019,565	595,014	140.15
Investing activities	(223,375)	(763,690)	(540,315)	(241.89)
Financing activities	(248,368)	156,715	405,083	163.10

Description about material changes:

- (1) Operating activities: Mainly due to the increase in the cash received from current receivables, which leads to cash inflow in operating activities.
- (2) Investing activities: Mainly due to the purchase of land, machinery and equipment for current operating needs, which leads to cash outflow in investing activities.
- (3) Financing activities: Mainly due to the current long-term borrowing, which leads to cash inflow in financing activities.

(II) Plan for improving insufficient liquidity: no shortage of cash.

(III) Cash liquidity analysis for the following year:

Units: NT\$1,000

Opening cash balance	Net cash inflow from operating activities throughout the year	Cash flow from investing and financing activities throughout the year	Cash balance (deficit)	Remedial measures for estimated cash deficit	
				Investing plan	Financing plan
942,332	460,917	1,922,305	(519,056)	-	Issuance of convertible corporate bonds and borrowing from bank

1. Cash flow change analysis for the following year:

- (1) Net cash inflow from operating activities mainly due to the cash received from operating.
- (2) Cash outflow is mainly due to the operating expenses, purchasing machinery and equipment, and bank loan repayment.

2. Remedial measures for estimated cash deficit and cash liquidity analysis: The company's cash outflow in the following year is estimated mainly based on future operating needs. In addition to cash inflow from operating activities, bank loans and the third unsecured convertible corporate bonds in the Republic of China will be used in case of cash deficit.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

In addition to the expenditures for routine depreciation and replacement, the

company's capital expenditures in 2019 were mostly derived from the layout of decentralized production bases in response to the US-China trade war. Since 2018, the trade tension between China and the United States has become more and more fierce, and the trade war showed a long-term development trend through observation. In response to customer requirements, the company began to search for production bases outside mainland China. In the initial stage, the company planned to manufacture server related products and expand the production line of sports equipment to Taiwan. Therefore, in the beginning of 2019, the company purchased a land at NT\$ 488,434 thousand, and planned to build its own plant. However, a Japanese customer required the company to jointly set up a plant in the Philippines to produce the server thermal module for American customers. Therefore, the company leased plants there and transferred some of its own machinery and equipment for production to reduce capital expenditure. Due to the expansion of the company's capacity in the Philippines, the effect of capacity expansion from plants built on its own land in Taiwan was excluded. Therefore, the plan to build its own plants in Taiwan has been suspended, and it is planned to sell or reinvest development at an appropriate time.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

(I) The Company's investment policy

The company is a holding company, and the main profit comes from main businesses of subsidiaries. In addition, there are reinvestments for strategic purposes of industrial or business development. All subsidiaries of the company's main business are profitable, and companies that make strategic reinvestments are not for profiting.

(II) Main Causes for Profits or Losses of Reinvestment and Improvement Plans for the Most Recent Year

Unit: NT\$1,000

Reinvestment Company	2019 investment profit(loss)	Main reason for such profit or loss	Improvement plan
Lemtech Global Solution Co. Ltd.	295,297	Mainly caused by recognition of investment gains of Lemtech Precision Material (China) Co., Ltd.	-
Lemtech Cooling System Limited	(12,760)	Mainly caused by recognition of loss of Lemtech Energy Solutions Corporation and Lemtech Philippine	Profit improvement of subsidiaries
Lemtech Industrial Services Ltd	11,328	Operations are in good condition	-
LemTech Precision Material (China) Co., Ltd.	309,736	Operations are in good condition	-
Lemtech Energy	(4,679)	Mainly caused by the scale	Plan to continue to

Reinvestment Company	2019 investment profit(loss)	Main reason for such profit or loss	Improvement plan
Solutions Corporation		economy of operation in the future	develop new technologies for thermal modules and develop new customers to expand revenue
Lemtech Philippine Thermal System Inc.	(11,088)	Mainly caused by limited scale of operation in the initial stage	Keep increasing pending revenue to be profitable
Lemtech Technology Limited	25,156	Operations are in good condition	-
LDC Precision Engineering Co., Ltd.	25,936	Operations are in good condition	-
Lemtech Precision Material (Czech) s.r.o.	(27,406)	Caused by limited scale of operation, the long certification period of auto parts, and the slow increase in revenue	With the increasing customer orders, there is a chance to achieve scale economy and improve profitability in 2020
Lemtech USA INC.	653	The main source of income is the group's market survey income, which, after deducting related operating expenses, generates profit after tax.	Mainly provide group labor services, and the loss is not high
Aapico Lemtech (Thailand) Co., Ltd.	1,420	Operations are in good condition	-
Zhenjiang Emtron Surface Treatment Limited	(22,810)	The main source of operating income is the surface treatment of auto parts. Caused by the limited scale of operation and the long certification period of automobiles	Continue to win customer orders, and expand business scale to be profitable
Kunshan Lemtech Slide Technology Co., Ltd.	18,446	Operations are in good condition	-
Kunshan Lemtech Electronics Technology Co.,Ltd	(77)	Mainly caused by less orders at the initial stage of operation, and limited scale of operation.	It is because of the initial stage of operation and increased loss, which can be improved by winning more orders in future operation.

(III) Investment plan for the following year: The company expects that there is no material investment plan in the following year.

VI. Risks Items

- (I) Impacts of interest rate, fluctuation in exchange and inflation on corporate gains and losses and future countermeasures:

1. Interest rate movements

(1) Impact on the company's revenue and profit

The interest expense of the company and its subsidiaries in 2018 and 2019 accounted for 0.76% and 1.17% of the net operating income respectively, with a low proportion. Therefore, the change in interest ratio will not have a significant impact on the profit and loss of the company and its subsidiaries.

(2) Specific countermeasures

The company's Finance Department adjusts the use of funds in time in light of changes in financial interest rates in response to financial risks caused by changes in interest rates.

2. Exchange rate changes

(1) Effect of exchange rate changes on the company's revenue and profit

The company and its subsidiaries purchase and sell goods in USD and RMB as the main collection currencies. The amount of exchange losses in 2018 and 2019 was NT\$ 49,300 thousand and NT\$ 3,032 thousand respectively, accounting for 0.82% and 0.06% of the net operating income.

(2) Specific countermeasures

In the face of risks arising from exchange rate fluctuations, the group's internal financial professionals have taken the following specific countermeasures:

- A. The company's Business Department has considered the influence of exchange rate fluctuations on the sales price, and adjusted the product price by measuring the changes in the exchange rate in response to the exchange rate fluctuation, ensuring the profits of the company's products.
- B. The financial unit will discuss the exchange rate trend with the foreign exchange unit of the bank, engage external professionals to give hedging advices to the company's exposed positions, and adopt appropriate hedging strategies at the appropriate time to reduce the risk of exchange rate.
- C. In addition to net assets and liabilities for a specific project, foreign exchange exposed positions arising from routine sales still adopt natural hedging as the main strategy for exchange rate risk control, and adjust foreign currency assets and liabilities at the appropriate time to reduce the risk of exchange rate changes.

3. Inflation: The company's profits and losses in the past have not exerted a significant impact due to inflation. If the purchase cost increases due to inflation, the company will also adjust the price appropriately. The company has continued to monitor market price fluctuations and maintained a positive, interactive relationship with both suppliers and customers. There has been no significant impact caused by inflation.

- (II) Policies on high risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, the main reasons for profits or losses generated thereby, and future countermeasures:

The company has always adhered to a stable and conservative business strategy. In recent years, it has not engaged in high-risk, high-leverage investment and other transactions. The company and its subsidiaries have set up "Procedures for Loans to Other Parties", "Procedures for Endorsement Guarantee Operation" and "Procedures Governing Acquisition and Disposal of Assets" as the basis for relevant operations, and the risk status has been considered and the regulations are implemented carefully.

The company's derivatives trading policy is mainly the forward exchange of RMB to USD, which is for hedging fluctuations in the USD exchange rate. The company always takes measures subject to "Investment Cycle" and "Procedures Governing Acquisition and Disposal of Assets".

(III) Future R&D projects and anticipated R&D expenditures to be invested:

At present, the group has R&D departments in mainland China and Taiwan. The department in mainland China mainly focuses on the development and process improvement of metal stamping products such as heat dissipation, auto parts, building materials parts, etc. In response to future growth, the company established the R&D center with mainland higher professional institutions in 2010, and conducted school-enterprise cooperation to cultivate professional and technical talents. The department in Taiwan is actively committed to the development of new hub products and new heat dissipation systems with high added value. In 2020, it will establish cooperation with universities in mainland China in production, learning and research to realize the technical development of high precision multi-position continuous stamping die. Through a complete upstream and downstream industrial chain and a close system (which means production, government, college and research department), we can recruit excellent talents and obtain technical information to improve the company's R&D competitiveness.

In 2019, the company invested approximately NT\$ 125,768 thousand in research and development of product, production technology innovation and process improvement. In 2020, the company continued to invest NT\$ 120,310 thousand in research and development. In the future, the company will continue to invest in research and development of automated production lines and will gradually use robots to replace employees in technical positions to improve production efficiency and quality, and reduce manufacturing costs. Meanwhile, it assesses the rapid growth of China's labor costs, maintains sustainable development and improves horizontal competitiveness.

Item	Introduction	R&D expenses (NT\$ 10,000)	Expected time to complete
Automatic testing equipment for SRS	For manufacturing inspection of SRS parts	448	Nov. 2020
Development of automation equipment for building security supports	For manufacturing of building material parts	238	Jun. 2020
Development of automation equipment for SRS assembly	For manufacturing of SRS parts	895	Jul. 2020

Item	Introduction	R&D expenses (NT\$ 10,000)	Expected time to complete
Automatic testing equipment for automobile engine components	For inspection of automotive engine parts	458	Nov. 2020
Automatic assembly equipment for automobile engine support	For assembly of automotive engine parts	890	Jul. 2020
Development of mes system for production	For development of mes system for production	2,984	Oct. 2020
Development of production technology of automobile chassis components	For manufacturing of automobile chassis parts	3,878	Nov. 2020
Production die of automobile brake system component	For manufacturing of automotive brake system parts	1,050	Jul. 2020
Continuous die of automobile seat assembly	For manufacturing of automobile seat parts	1,190	Dec. 2020
Total		12,031	

(IV) Changes to local and overseas policies and laws that impact the company's financial operations and countermeasures

The company is registered in Cayman Islands and mainly operates in mainland China. Its execution of all business is subject to important domestic and foreign policies and legal regulations, and it keeps abreast of important domestic and foreign policy development trends and law changes so as to respond promptly to changes in the market environment and take appropriate countermeasures. As of now, the company's finance and business have not been affected by important changes of domestic and foreign policies and laws.

(V) Impact of Changes in Technology and Industry on Corporate Finance and Business, and Countermeasures

The company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops automobile parts and building materials parts and other non-3C electronic stamping parts and components to strengthen the stability of the company's product structure and reduce the impact caused by electronic products changing rapidly. On the whole, the metal stamping parts are in great demand and will not be replaced by other high-tech products in the foreseeable future.

(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures:

Since the establishment, the company has actively strengthened internal management, improved the management quality, and it is committed to maintaining the corporate image and legal compliance. In the most recent year, there has been no major image change affecting corporate crisis management.

(VII) The expected benefits and possible risks to engaging in mergers and acquisitions (M&A) and countermeasures: None.

(VIII) Expected benefits and potential risks of plant expansion and countermeasures:

Company taking expansion Name	Kunshan Lemtech Electronics Technology Co.,Ltd	Lemtech Philippine Thermal System Inc.
Purpose of expansion	Expand equipment and product lines in response to new products from mobile phone customers in China.	Established to meet the customer's purchase demand for decentralizing manufacturing outside China.
Expected benefits	It is planned to continue to input equipment to expand production line in 2020. At present, the customer is sending samples for certification, and it is expected to start receiving orders and shipping in the second half of 2020. Its estimated production capacity is expected to contribute NT\$ 500 million of annual revenue.	Small-scale mass production has been conducted in 2020, and production capacity will gradually increase according to customer demand.
Possible Risks and Countermeasures	The above products are the extension of the company's core capabilities in stamping mechanism design and heat dissipation technology. The company is developing the products in succession, and strives for new customers and certification. It can expand the diversity of the company's application customers to disperse the risk of industrial or manufacturing area concentration. However, in 2020, affected by the COVID-19 epidemic, the global supply is not smooth and the economy is sluggish, and the progress of customer demand is delayed. The company will carefully expand the investment schedule to avoid idle production capacity.	

(IX) Risks resulting from consolidation of purchasing or sales operations and countermeasures:

In the most recent year and as of the publication date of the annual report, except for the sales volume of the biggest customer accounting for 23% of the revenue, the sales from the remaining single customers accounted for less than 10% of the annual revenue. The company keeps actively expanding new customer sources and developing new markets, and there has been no risk of sales concentration.

For procurement from suppliers, in the most recent year and as of the publication date of the annual report, the main suppliers did not exceed 20% of the total purchase amount. Unless specified by the customer, there will be at least two main raw material suppliers with good quality reputation. The company's main suppliers all keep long-term cooperation with the group, and the source of procurement is still stable.

(X) The impact on the Company, and risks arising from the major exchange or transfer of shares by directors or major shareholders with over 10% of shareholdings, and the countermeasures:

In the most recent year and as of the publication date of this annual report, there is no mass transfer or change in shareholding of directors or major shareholders with a shareholding ratio of 10% or more.

(XI) Impact, risk, and response measures related to any change in governance rights

There has been no change in governance rights in the most recent year and as of the publication date of this annual report.

- (XII) If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the publication date of this annual report shall be disclosed:

On Jun. 26, 2018, the subsidiary of the company obtained (King Slide Technology Co., Ltd)King Slide Works Co., Ltd. (hereinafter referred to as King Slide). On Jun. 19, 2018, it filed a civil lawsuit to the Jiangsu Higher People's Court, alleging that the slideway products produced, manufactured and sold by Lemtech Precision Material Co., Ltd. and Lemtech Slide Technology Co., Ltd. without the permission of King Slide infringed its patent rights, and claimed RMB 100 million, and rights maintenance fee of RMB 183,090 and NT\$ 31, 748. It filed a case of patent infringement in Jiangsu Higher People's court. The appointed lawyer said that Lemtech Precision Material Co., Ltd. is mainly engaged in the research and development, production and sales of precision metal stamping parts and dies, and its main products are heat dissipation module, auto part module, die and other parts stamping. It only undertakes stamping parts for slide rail products, not a manufacturer or seller of the slide rail products, so the tort liability in this case shall not be involved. According to the preliminary judgment of the appointed lawyer, all the slide products produced by Lemtech Slide Technology Co., Ltd. have relevant patents (some of which are still under application), which are different from that of King Slide. And the basis for King Slide to claim compensation is insufficient, so the possibility of compensation is not high. The case was first heard on Jan. 25, 2019, and it is still in the process of the first instance, so it is impossible to predict the result of the case.

King Slide sued for infringement in Jiangsu Higher People's Court of China, and declared that it had a negative impact on the reputation of Lemtech Precision Material Co., Ltd. by writing a letter to its customers. Therefore, the company filed a lawsuit on behalf of Lemtech Precision Material Co., Ltd. to Taiwan Ciaotou District Court on Jan. 15, 2019. The company assessed that it shall have no significant impact on shareholders' equity or securities prices, and has appointed a lawyer to make a protest and defense in order to protect the rights and interests of the company and all shareholders.

- (XIII) Other material risks and countermeasures

1. Information security risk assessment

- (1) The company has professionals responsible for handling matters related to information system security prevention and crisis management to prevent computer network crimes and crises and maintain information system security.
- (2) The company has established a security control mechanism for the computer network systems to ensure the safety of data transmission via network.
- (3) The company especially strengthens network security management for

cross-company computer network system, installs anti-virus software in-house, and sets external network firewall to prevent computer viruses and aggressive malware from invading the company network system and causing paralysis.

- (4) The company conveys the concept of proper use of legal software to employees, prompting employees to correctly recognize the threat of computer viruses, and further enhancing employees' information security awareness.

VII. Other Important Matters

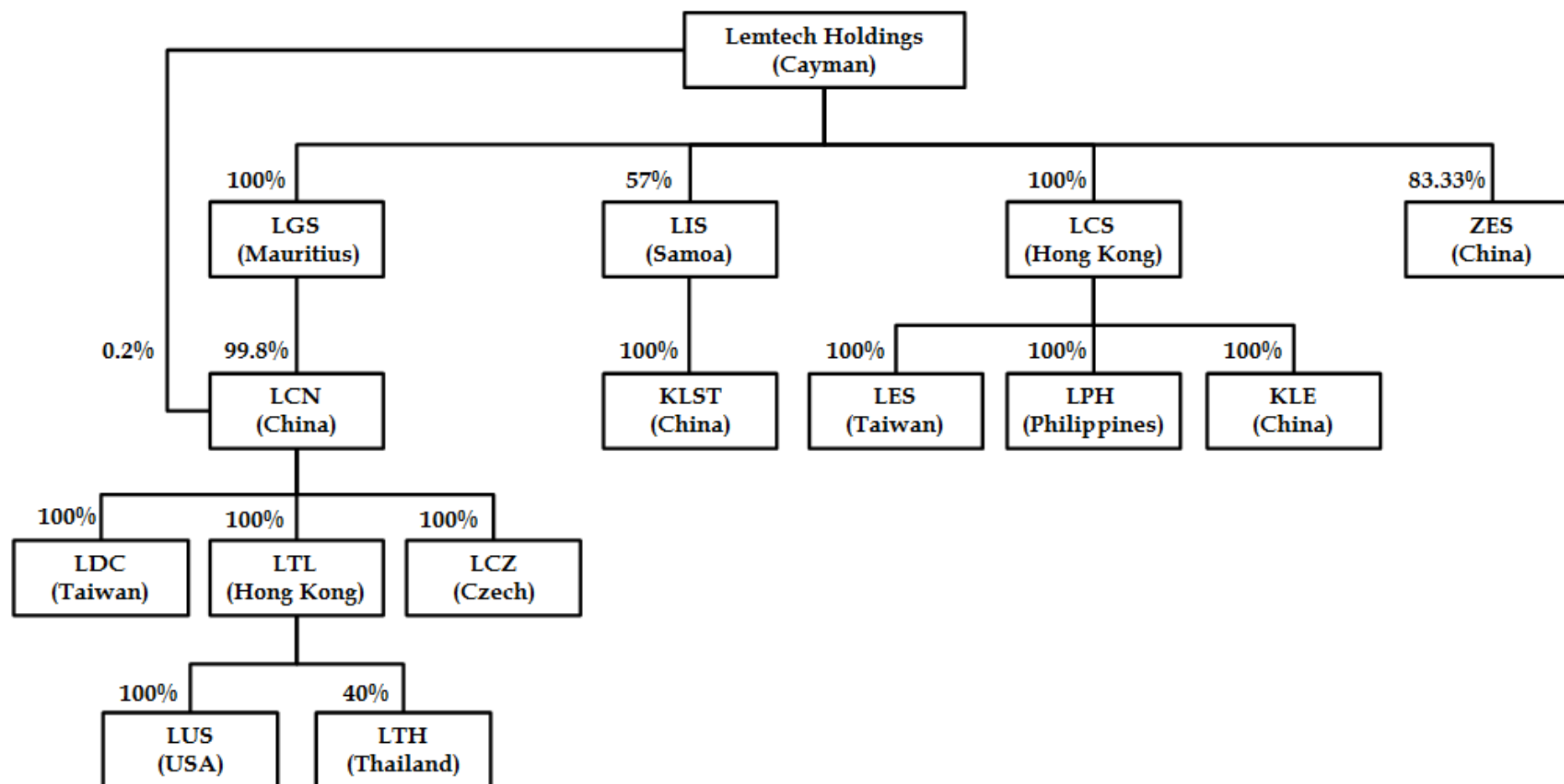
The company was registered in the British Cayman Islands, which is only the registered place of the Group, and operates in mainland China, Taiwan, China and Hong Kong, China. Changes in the overall economic and political environment of the registered place and operation places and fluctuations in the exchange rate will affect the operation of the group. There are many different provisions between the company law of the British Cayman Islands and the company law of Taiwan, China. Although the company has amended its Articles of Association in accordance with the Taiwan Stock Exchange's "Checklist for Protection of Shareholders' Rights and Interests in the Registered Place of Foreign Issuers", there are still many differences between the two laws and regulations on the operation of the company. Investors still need to know and consult experts about the risks of investment.

Chapter 8 Special Disclosure

I. Information on the Company Affiliates

(I) Profiles and status of affiliates:

December 31, 2019



(II) Basic information of all affiliates

Dec. 31, 2019; Unit: NT\$1,000

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
LGS	Lemtech Global Solution Co. Ltd.	2003.01	3rd floor, Raffles Tower, 19 Cybercity, Ebène, Republic of Mauritius	US\$ 2,500	Investment holding companies
LCN	Lemtech Precision Material (China) Co., Ltd.	2003.03	No. 128, Weita Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB 63,000	Production and design of new electronic components such as computers, mobile terminals, materials for servers, materials for automobiles, various fine blanking dies, die-casting dies, non-metallic dies, computer connectors, and computer thermal modules; and sales of self-produced products
LDC	LDC Precision Engineering Co., Ltd.	2010.05	Building E032, No.1 Weiwang Street, Shulin District, New Taipei City	NT\$ 9,524	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery
LTH	Aapico Lemtech (Thailand) Co., Ltd.	2013.03	161 Moo.1, Tambol Banlane, Amphur Bang-Pa-In Phranakhornsri Ayutthaya 13160	THB 40,000	R&D, production, manufacturing and assembly of automotive, electronic and computer parts
LUS	Lemtech USA INC.	2013.06	185 ESTANCIA DR SUITE 117 SAN JOSE CA 95134	US\$ 50	Business development in USA, business information collection, and supply of market intelligence and industry information
LTL	Lemtech Technology Limited	2014.04	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 20	Sales of automotive, electronics and computer parts

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
LIS	Lemtech Industrial Services Ltd	2015.12	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$ 2,500	Sales of electronics and computer parts
KLST	Kunshan Lemtech Slide Technology Co., Ltd.	2016.07	Room 3, No. 288, Jiangfeng Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB 15,000	Design and production of slide rails, spindles and related accessories, and sales of self-produced products
LCZ	Lemtech Precision Material (Czech) s.r.o.	2016.09	Logistické Centrum Jihlava LCJ/Jipocar Hala B, 588 11 Strátež u Jihlavy 3, Czech	CZK 152,000	Production of automotive components (sunroofs, brakes and seat belts, SRS, etc.) and assembly parts (steering wheel transmission shafts, etc.), and supply of consumer electronic parts and server products
LES	Lemtech Energy Solutions Corporation (Former name: Cryomax Lemtech Co., Ltd.)	2015.04	Building E032, No.1 Weiwang Street, Shulin District, New Taipei City	NT\$ 30,000	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment
ZES	Zhenjiang Emtron Surface Treatment Limited	2015.08	No.198, Cheng Road, Dagang Town, Zhenjiang New Area, Jiangsu Province	RMB 14,352	Surface treatment of mechanical, electronic and automotive components
LCS	Lemtech Cooling System Limited	2019.06	Flat/Rm A 12/F, Kiu Fu Commercial Bldg, 300 Lockhart Road, Wan Chai, Hong Kong	US\$ 7,000	Investment holding companies
KLE	Kunshan Lemtech Electronics Technology Co.,Ltd.	2019.10	Plant 5, No. 128, Weita Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB 14,060	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
					and mechanical equipment
LPH	Lemtech Philippine Thermal System Inc.	2019.07	Units 3,4,7,8 Metrococo Export Corp Laguna Technopark Building 1A, Phase 1, Laguna Technopark Sez 105 Industry Road Don Jose City of Santa Rosa Laguna, Philippines	US\$ 200	Manufacturing, procurement, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, thermal modules, slide rails, mechanical components and other related items

(III) Shareholders in common of the Company and its subsidiaries with deemed control relationship and subordination: None.

(IV) Information on directors, supervisors, and General Manager of all affiliates

Dec. 31, 2019; Unit: Shares; %

Name of affiliates	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Lemtech Global Solution Co. Ltd.	Director	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
	Director	Ye, Hang	—	—
Lemtech Precision Material (China) Co., Ltd.	Chairman	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
	Director	Ye, Hang	—	—
	Director	Tan, Yong	—	—
	Director	Tsai, Wen-Lung	—	—
	Director and General Manager	Li, Pei-Yu	—	—
LDC Precision Engineering Co., Ltd.	Chairman and General Manager	Hsu, Chi-Feng	—	—

Name of affiliates	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Aapico Lemtech (Thailand) Co., Ltd.	Director	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
	Director	Yeap Swee Chuan	—	—
	Director	Teo Lee Ngo	—	—
	Director	Kawee Wasaruchareekul	—	—
Lemtech USA INC.	Director	Hsu, Chi-Feng	—	—
Lemtech Technology Limited	Director	Hsu, Chi-Feng	—	—
Lemtech Industrial Services Ltd	Director	Hsu, Chi-Feng	—	—
Kunshan Lemtech Slide Technology Co., Ltd.	Chairman	Hsu, Chi-Feng	—	—
	General Manager	CHAY CHIN TAT	—	—
Lemtech Precision Material (Czech) s.r.o.	Director	Ye, Hang	—	—
	General Manager	Stanislav Stepanek	—	—
Lemtech Energy Solutions Corporation (Former name: Cryomax Lemtech Co., Ltd.)	Chairman	Hsu, Chi-Feng	—	—
	Supervisor	Chan Kim Seng Maurice	—	—
Zhenjiang Emtron Surface Treatment Limited	Chairman	Fang, Hsin-Chien	—	—
	Director	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
Lemtech Cooling System Limited	Director	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
	Director	Ye, Hang	—	—
Kunshan Lemtech Electronics Technology Co.,Ltd.	Chairman	Tsai, Wen-Lung	—	—
	Supervisor	Chan Kim Seng Maurice	—	—
Lemtech Philippine Thermal System Inc.	Director	Hsu, Chi-Feng	—	—
	Director	Chan Kim Seng Maurice	—	—
	Director	Ye, Hang	—	—
	Director	Tsai, Wen-Lung	—	—
	Director	Hung, Kuang	—	—

(V) Operation of affiliates

Dec. 31, 2019; Unit: NT\$1,000

Name	Capital	Total asset value	Total liabilities	Net value	Operating revenue	Operating profit	Profit (loss) (after tax)	Earnings per share (after-tax)
Lemtech Global Solution Co. Ltd.	112,397	2,532,711	139,140	2,393,571	0	(1,300)	295,297	(118.53)
Lemtech Precision Material (China) Co., Ltd.	273,372	3,837,004	1,894,912	1,942,092	3,292,252	369,853	309,736	4.98
LDC Precision Engineering Co., Ltd.	9,524	351,463	160,250	191,213	395,242	37,894	25,936	(Note 1)
Lemtech Technology Limited	597	1,296,392	869,368	427,024	1,330,135	31,103	25,156	(Note 1)
Lemtech Precision Material (Czech) s.r.o.	195,984	271,759	172,306	99,453	90,319	(27,725)	(27,406)	(Note 1)
Lemtech USA INC.	1,502	724	0	724	7,207	594	653	(Note 1)
Lemtech Industrial Services Ltd	82,091	98,013	41,863	56,150	60,740	1,571	19,868	7.94
Kunshan Lemtech Slide Technology Co., Ltd.	69,758	105,383	57,225	48,158	178,380	20,042	18,446	(Note 1)
Lemtech Cooling System Limited	154,220	136,601	2	136,599	0	(596)	(12,760)	(6.44)
Lemtech Energy Solutions Corporation	30,000	24,030	2,219	21,811	21,369	(6,904)	(5,814)	(1.94)
Lemtech Philippine Thermal System Inc.	6,100	74,944	79,480	(4,536)	0	(9,396)	(11,088)	(Note 1)
Kunshan Lemtech Electronics Technology Co.,Ltd.	60,990	89,587	29,136	60,451	480	(79)	(77)	(Note 1)
Zhenjiang Emtron Surface Treatment Limited	65,043	150,512	183,920	(33,408)	41,351	(21,396)	(28,899)	(Note 1)

Note 1: Not a shares limited company; hence EPS is not applicable.

(VI) Consolidated financial statements of the affiliates: Same as the Consolidated Financial Statements of the Parent Company and Subsidiaries. Please refer to page 147 to 222.

(VII) Reports of the affiliates: Not applicable.

II. In the Most Recent Year as of the Publication Date of the Annual Report, Any Private Placement of Securities: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year as of the Publication Date of the Annual Report: None.

IV. Other Necessary Additional Information: None.

V. Any Material Differences from the Rules of Taiwan, China in Relation to the Protection of Shareholders' Equity

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
I. Formation and change of company capital		
Procedures for capital increment of the company by changing shares to cash or converting the surplus or capital reserve to shares.	- Articles 156 and 266 of the Company Act. - Article 142 and Paragraph 3 of Article 266 of the Company Act	The amended Article 8 (c) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist for the protection of the shareholders' equities of foreign issuers.
- When the company carries out capital increase through cash and issues new shares, in addition to the different resolutions of the shareholders' meeting, the original shareholders shall be notified. The original shares shall be reorganized according to the original proportion. The original shareholders who fail to subscribe within the time limit will lose their rights. If the shares held by the original shareholders are not enough for shareholders to subscribe to new shares, joint subscription or subscription represented by one person may be carried out. Where the original shareholders have not subscribed, they may subject to a public offering or designate a specific person to subscribe. - When a company issues new shares with cash increment in the Republic	- Paragraph 3 of Article 267 of the Company Act - Article 8 of the Business Mergers And Acquisitions Act, and Paragraph 1 of Article 13 of the Regulations Governing the Offering and Issuance of Securities by Foreign Issuers	The amended Article 9 (e) and (f) of the Articles of Association of the company complies with the amendment provisions in the left column of the checklist for the protection of the shareholders' equity of foreign issuers.

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
of China, 10% of the total new shares to be issued shall be allocated for public offering, unless the competent authority of Taiwan considers it unnecessary or unsuitable to do so. However, if the shareholders' meeting has a higher ratio of resolutions, such resolutions shall prevail.		
II. Procedure for Convening a Shareholders' Meeting or Method of Adopting Resolutions		
1. When the shareholders' meeting decides one of the following matters, the dissentient shareholders shall have the right to request the company to purchase their shares: (1) Demerger, merger, acquisition or share conversion of the company; (2) To form, change or terminate contracts related to the leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causes a significant influence over the operations of the company. 2. The shareholder's requests in the preceding paragraph shall be submitted in writing within twenty (20) days from the resolution date of the shareholders' meeting, and shall specify the requested purchase price. If an agreement is reached between the shareholders and the	1. Articles 317 and 186 of the Company Act 2. Article 12 of the Business Mergers And Acquisitions Act	The amended Article 40 (2) of the Articles of Association of the company complies with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
company regarding the purchase price, the company shall pay the price within ninety (90) days from the resolution date of the shareholders' meeting. If no agreement is reached, the company shall pay the price to the shareholders who have not reached the agreement at the fair price they believe within ninety (90) days from the resolution date; if the company fails to pay, it shall be deemed to agree to the purchase price requested by the shareholders. 3. If the shareholders request the company to buy all of their shares according to Sub-paragraph 1 of Paragraph 1 and the shareholders and the company have not reached an agreement on the purchase price within sixth (60) days from the resolution date of the shareholders' meeting, the company shall report to the court for price adjudication against all shareholders who have not reached an agreement within thirty (30) days after this period and Taipei District Court will be the competent court for the first instance.		
For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of the company	1. Article 185 of the Company Act 2. Article 277 of the Company Act 3. Article 159 of the Company Act 4. Article 240 of the Company Act 5. Article 316 of the Company Act 6. Article 29 of the	The amended Article 2 (1), Article 39 (j), Article 39 (k), Article 39 (l) of the Articles of Association of the company complies with the amendment provisions in the left column of the

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
is less than the percentage of the total shareholdings required in the preceding paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company. 1. To form, change or terminate contracts related to leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causing a significant influence over the operations of the Company 2. Amending the Articles of Incorporation 3. Where amendments to the Articles of Association will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened 4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses 5. Resolutions for corporate dissolution, merger, or demerger 6. Conversion of shares	Business Mergers And Acquisitions Act	checklist of the registration country for the protection of the shareholders' equities of foreign issuers.
III. Authorities and responsibilities of directors and supervisors		
1. When the directors of the company have their own interests in the matters of the board meeting, they shall state the important contents of their own	Paragraphs 2, 3 and 4 of Article 206 of the Company Act, Paragraph 3 of Article 5 of the Business Mergers	The amended Article 84 (1) of the Articles of Association of the Company complies

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
interests at the current board meeting. In the process of merger and acquisition, the directors of the company shall explain to the Board of Directors and the shareholders' meeting the important contents of their own interests in the merger and acquisition transaction and the reasons for approving or opposing the merger and acquisition resolution. 2. Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter. 3. When a shareholder is an interested party to an agenda item and there is the likelihood that such a relationship would prejudice the interests of the company, that shareholder may not vote on that item and may not exercise voting rights as a proxy for any other shareholder. With respect to the resolutions at the board meetings, when a director is prohibited from exercising the voting right subject to the preceding paragraph, his/her voting right shall not be included in the voting rights of attending directors.	And Acquisitions Act	with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.
1. A company director shall act	Paragraphs 2 and 3 of	1. The Articles of

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
diligently and take due care of the company as a good administrator in conducting the business operation of the company; if he/she has acted contrary to this provision, he/she shall be liable for the damages sustained by the company there-from. If the said act is implemented by the director himself or herself, or another party, the shareholders' meeting may resolve and consider an earning received from the said act as an earning of the company. 2. If a director of the company, in the course of performing his/her duties of the company, has violated the law and thereby resulting in damages to others, he/she shall bear joint and several liabilities with the company in compensating others. 3. A managerial officer and a supervisor shall bear, when performing a functional duty, the same liabilities as a company director when causing damages.	Article 8 and Paragraph 3 of Article 23 of the Company Act, Paragraphs 1 and 2 of Article 5 of the Business Mergers And Acquisitions Act	Association or Paragraph 1 of Article 74 of current organization documents of the company has complied with the provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers. 2. The company does not have a supervisor, but it has set up an audit committee to exercise the supervisor's duties. This difference should have no significant adverse impact on shareholders' equities.
1. Before the company convenes the board meeting to decide on the merger and acquisition, the audit committee or special committee (applicable to the company with a supervisor) shall review the merger	Articles 6 and 7, Paragraph 3 of Article 22, Paragraph 7 of Article 31 and Paragraph 2 of Article 38 of the Business	The amended Article 70 (1) of the Articles of Association of the company complies with the

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
and acquisition plan and the fairness and rationality of transaction, and report the results to the board of directors and the shareholders' meeting. However, if it is not necessary to convene a shareholders' meeting to resolve the merger and acquisition according to the laws and regulations of the country where the foreign issuers registered, it may not be reported to the shareholders' meeting. 2. When the audit committee (or special committee) is deliberating, it shall appoint an independent expert to provide an opinion on the reasonableness of the conversion ratio or the cash or other properties allotted to the shareholders. 3. The results of the audit committee's (or special committee's) deliberations and the independent expert's opinions shall be sent to the shareholders together with the notice of convening the shareholders' meeting. However, if a resolution of the shareholders' meeting is not required by the laws and regulations of the country where the foreign issuers registered, a report on the merger and acquisition shall be made at the latest shareholders' meeting. 4. The documents to be sent to the shareholders referred to in the preceding paragraph shall be deemed to have been sent to the shareholders after the company has announced the same content on the website designated by the securities regulatory authority of Taiwan,	Mergers And Acquisitions Act	amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
China and placed at the venue of the shareholders' meeting for the inspection of the shareholders.		

VI. In the Most Recent Year as of the Publication Date of the Annual Report, if There an Issue of Significant Impact on Shareholders' Equity or Securities Prices as Stipulated in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities Exchange Act: None.

Independent Auditors' Report

Lemtech Holdings Co., Limited public notice:

Audit opinion

We have audited the accompanying consolidated financial statements of Lemtech Holdings Co., Limited and its subsidiaries (the company), which comprise the consolidated balance sheet as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the company as of December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the periods from January 1 to December 31, 2019 and 2018 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC endorsed by the FSC.

Basis for Auditor's Opinions

We have performed the audit of 2019 in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, FSC Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805, dated Feb. 25, 2020 and the auditing standards generally accepted in the Republic of China; the audit of 2018 has been performed in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other obligations under the Norm. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key Audit Matters

Key Audit Matters refer to matters that, in our professional judgement, were of most significance in our audit of the 2019 Consolidated Financial Statements of the company. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming out opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the consolidated financial statements of Lemtech Holdings Co., Limited and its subsidiaries (the company) for 2019 are stated as follows:

Key Audit Matters: the authenticity of sales revenue of specific customers

The revenue of the company is mainly derived from computer, communication, consumer electronics and automotive parts. Since the materiality and the Statements on Auditing Standards has defaulted revenue recognition as a significant risk. Therefore, the assessment of the authenticity of sales transactions with major customers meeting the certain conditions was listed as a key audit matter. For details of the revenue recognition policy, please refer to Notes 4 and 26 of the consolidated financial report.

We understand the industry and economic environment of the company. In addition to testing the relevant internal controls, we select samples of major customers meeting certain conditions from sales of 2019, and verify the shipping orders, invoices and receipts to confirm the authenticity of the revenue.

Responsibility of the management and the governing body for the Consolidated Financial Statements

It is the management's responsibility to fairly present the consolidated financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, IFRIC and SIC endorsed by the FSC, and to sustain internal controls respecting preparation of the consolidated financial statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the consolidated financial statements, the responsibility of management includes assessing the company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the company or terminate the business, or has no realistic alternative but to do so.

The governing bodies of the company (including the audit committee) have the responsibility to oversee the procedures for financial reporting.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

We have utilized our professional judgment and maintained professional skepticism when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also execute the following tasks:

1. Identify and assess the risks of material misstatement within the consolidated financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances. However, the purpose is not to express an opinion on the effectiveness of the company's internal control.

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements; or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the company to no longer continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them on all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with the governing body, we determined the key audit matters for the company's 2019 consolidated financial statements. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan (Republic of China)
Mar. 25, 2020

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Lemtech Holdings Co., Limited and subsidiaries

Consolidated Balance Sheet

Dec. 31, 2019 and 2018

Unit: NTD thousands

Code	Total assets	Dec. 31, 2019		Dec. 31, 2018	
		Sum	%	Sum	%
CURRENT ASSETS					
1100	Cash and cash equivalents (Notes 6 and 35)	\$ 942,332	15	\$ 550,292	10
1136	Financial assets at amortized cost - current (Notes 8, 9, 35 and 37)	79,436	1	3,842	-
1150	Notes receivable (Notes 10 and 35)	4,684	-	5,379	-
1170	Accounts receivable (Notes 10, 35 and 36)	2,076,706	33	2,220,152	41
1197	Finance lease receivable (Note 11)	5,540	-	-	-
1200	Other receivables (Notes 10 and 35)	17,122	-	17,828	-
1220	Current income tax assets (Note 28)	13	-	31	-
130X	Inventory (Note 12)	736,718	12	900,520	17
1410	Prepayments (Note 20)	85,068	2	103,923	2
1470	Other current assets (Note 20)	2,047	-	3,147	-
11XX	Total Current Assets	3,949,666	63	3,805,114	70
NON-CURRENT ASSETS					
1550	Investment using equity method (Note 14)	32,923	1	33,502	1
1600	Property, plant, and equipment (Notes 15, 31, 33, and 37)	1,808,305	29	1,230,891	23
1755	Right-of-use assets (Note 16)	233,101	4	-	-
1805	Goodwill (Note 17)	82,387	1	-	-
1821	Other intangible assets (Note 18)	42,204	1	22,634	-
1840	Deferred income tax assets (Note 28)	15,372	-	20,847	-
194D	Finance lease receivable - non-current (Note 11)	13,789	-	-	-
1915	Prepayments for equipment (Note 20)	41,228	1	194,248	4
1920	Refundable Deposits (Note 20)	7,032	-	2,977	-
1985	Long-term prepaid rent (Note 20)	-	-	88,214	2
15XX	Total Non-current Assets	2,276,341	37	1,593,313	30
1XXX	Total Assets	\$ 6,226,007	100	\$ 5,398,427	100
Code	Liabilities and Equity	Dec. 31, 2019		Dec. 31, 2018	
CURRENT LIABILITIES					
2100	Short-term loans (Notes 21, 33, and 35)	\$ 965,312	16	\$ 1,009,466	19
2130	Contract liabilities - current (Note 26)	79,408	1	66,510	1
2150	Notes payable (Notes 23 and 35)	183,304	3	300,787	5
2170	Accounts Payable (Note 23, 35, and 36)	1,466,225	24	1,134,173	21
2219	Other Payable (Note 24 and 35)	190,962	3	200,410	4
2230	Current tax liabilities (Note 28)	26,001	-	13,318	-
2280	Lease liabilities-current (Notes 16 and 33)	47,803	1	-	-
2399	Other current liabilities (Note 24)	15,145	-	7,403	-
21XX	Total Current Liabilities	2,974,160	48	2,732,067	50
NON-CURRENT LIABILITIES					
2500	Financial liabilities at fair value through profit or loss - Non-current (Notes 7, 22 and 35)	3,392	-	910	-
2530	Corporate bonds payable (Note 22)	580,601	9	576,478	11
2540	Long-term debt (Notes 21, 35 and 37)	350,000	6	-	-
2570	Deferred income tax liabilities (Note 28)	220,133	3	208,160	4
2580	Lease liabilities-non-current (Notes 16 and 33)	120,340	2	-	-
2645	Guarantee deposit received	6,888	-	6,708	-
25XX	Total non-current liabilities	1,281,354	20	792,256	15
2XXX	Total Liabilities	4,255,514	68	3,524,323	65
Equity attributable to shareholders of the parent (Note 25)					
Equity					
3110	Ordinary stock	474,720	8	395,411	7
3200	Capital reserve	802,102	13	784,347	15
Retained earnings					
3320	Special reserve	13,500	-	13,500	-
3350	Unappropriated retained earnings	731,348	12	662,990	13
3300	Total Retained Earnings	744,848	12	676,490	13
3410	Exchange differences on translation of foreign financial statements	(68,349)	(1)	1,375	-
31XX	Equity attributable to shareholders of the parent	1,953,321	32	1,857,623	35
36XX	Uncontrolled equity	17,172	-	16,481	-
3XXX	Total equity	1,970,493	32	1,874,104	35
Total Liabilities and Equity		\$ 6,226,007	100	\$ 5,398,427	100

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries
Consolidated Statement of Comprehensive Income
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands
Except for earnings per share which are in NTD

Code		2019		2018	
		Sum	%	Sum	%
	Operating revenue (Notes 26 and 36)				
4110	Sales	\$ 5,079,318	101	\$ 6,072,407	100
4190	Sales returns and allowances	(36,661)	(1)	(29,317)	-
4000	Total operating revenue	5,042,657	100	6,043,090	100
5000	Operating cost (Notes 12 and 36)	(4,011,648)	(79)	(4,757,020)	(79)
5900	Gross business profit	1,031,009	21	1,286,070	21
	Operating expenses (Note 27)				
6100	Selling expenses	(168,703)	(3)	(199,533)	(3)
6200	Administrative expenses	(336,982)	(7)	(316,674)	(5)
6300	Research and development expenses	(125,768)	(3)	(151,893)	(3)
6450	Expected credit impairment loss	(5,673)	-	(12,011)	-
6000	Total operating expenses	(637,126)	(13)	(680,111)	(11)
6900	Net operating profit	393,883	8	605,959	10
	Non-operating income and expenses (Note 27)				
7010	Other income	15,032	-	26,299	1
7020	Other gains and losses	(13,459)	-	(59,085)	(1)
7050	Finance costs	(58,919)	(1)	(45,642)	(1)
7060	Share of gain (loss) of affiliates and joint ventures accounted for under equity method	321	-	14,633	-
7000	Total non-operating income and expenses	(57,025)	(1)	(63,795)	(1)

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Code		2019		2018	
		Sum	%	Sum	%
7900	Earnings Before Tax (EBT)	\$ 336,858	7	\$ 542,164	9
7950	Income tax fees (Note 28)	(74,519)	(2)	(136,761)	(2)
8200	Net profit for this period	<u>262,339</u>	<u>5</u>	<u>405,403</u>	<u>7</u>
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to gain or loss:				
8361	Exchange differences on translation of foreign financial statements	(69,514)	(1)	(9,189)	-
8300	Other comprehensive income (net, after tax)	(69,514)	(1)	(9,189)	-
8500	Total comprehensive income (loss) during this period	<u>\$ 192,825</u>	<u>4</u>	<u>\$ 396,214</u>	<u>7</u>
	Net income attributable to				
8610	Shareholders of the parent	\$ 259,447	5	\$ 382,474	6
8620	Uncontrolled equity	<u>2,892</u>	<u>-</u>	<u>22,929</u>	<u>1</u>
8600		<u>\$ 262,339</u>	<u>5</u>	<u>\$ 405,403</u>	<u>7</u>
	Total comprehensive income (loss) attributable to				
8710	Shareholders of the parent	\$ 189,723	4	\$ 376,028	6
8720	Uncontrolled equity	<u>3,102</u>	<u>-</u>	<u>20,186</u>	<u>1</u>
8700		<u>\$ 192,825</u>	<u>4</u>	<u>\$ 396,214</u>	<u>7</u>
	Earnings Per Share (Note 29)				
	From continuing business				
9710	Basic	<u>\$ 5.47</u>		<u>\$ 8.06</u>	
9810	Diluted	<u>\$ 5.35</u>		<u>\$ 7.91</u>	

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Lemtech Holdings Co., Limited and subsidiaries
Consolidated Statement of Changes in Equity
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands

		Equity attributable to owners							
		Retained earnings				Exchange differences on translation of foreign financial statements			
Code		SHARE CAPITAL	Capital reserve	Special reserve	Unappropriated retained earnings		Total	Uncontrolled equity	Total equity
A1	Balance as of Jan. 1, 2018	\$ 395,411	\$ 678,811	\$ 28,925	\$ 363,944	\$ 7,821	\$ 1,474,912	\$ 144,700	\$ 1,619,612
B3	Appropriation and distribution of 2017 earnings								
	Special reserve	-	-	(15,425)	15,425	-	-	-	-
B5	Cash dividend attributable to shareholders	-	-	-	(98,853)	-	(98,853)	-	(98,853)
M5	Other changes in capital surplus								
	Actually acquired part of the equity of the subsidiary	-	79,798	-	-	-	79,798	(79,798)	-
C5	Issuance of convertible corporate bonds with recognized equity component	-	25,738	-	-	-	25,738	-	25,738
D1	2018 Net profit	-	-	-	382,474	-	382,474	22,929	405,403
D3	2018 Other Comprehensive Income (Loss) after tax	-	-	-	-	(6,446)	(6,446)	(2,743)	(9,189)
D5	Total comprehensive income (loss) in 2018	-	-	-	382,474	(6,446)	376,028	20,186	396,214
O1	Changes in non-controlling interests	-	-	-	-	-	-	(68,607)	(68,607)
Z1	Balance as of Dec. 31, 2018	395,411	784,347	13,500	662,990	1,375	1,857,623	16,481	1,874,104
B5	Appropriations and distribution of 2018 retained earnings								
	Cash dividend attributable to shareholders	-	-	-	(98,853)	-	(98,853)	-	(98,853)
B9	Stock dividend attributable to shareholders	79,082	-	-	(79,082)	-	-	-	-
M5	Other changes in capital surplus								
	Actually disposal / acquisition of part of the equity of the subsidiary	-	13,154	-	(13,154)	-	-	-	-
D1	2019 Net Profit	-	-	-	259,447	-	259,447	2,892	262,339
D3	2019 Other Comprehensive Income (Loss) after tax	-	-	-	-	(69,724)	(69,724)	210	(69,514)
D5	Total comprehensive income (loss) in 2019	-	-	-	259,447	(69,724)	189,723	3,102	192,825
I1	Corporate bonds converted into common shares	227	4,601	-	-	-	4,828	-	4,828
O1	Changes in non-controlling interests	-	-	-	-	-	-	(2,411)	(2,411)
Z1	Balance as of Dec. 31, 2019	\$ 474,720	\$ 802,102	\$ 13,500	\$ 731,348	(\$ 68,349)	\$ 1,953,321	\$ 17,172	\$ 1,970,493

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

Consolidated Statement of Cash Flows

Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands

Code		2019	2018
	Cash flows from operating activities		
A10000	Net income before tax of the current year	\$ 336,858	\$ 542,164
A20010	Income and expenses having no effect on cash flows		
A20100	Depreciation expense	246,395	166,693
A20200	Amortization	10,802	5,632
A20300	Expected credit impairment loss	5,673	12,011
A20900	Finance costs	58,919	45,642
A21200	Interest income	(7,902)	(10,268)
A22300	Share of gain (loss) of affiliates and joint ventures accounted for under equity method	(321)	(14,633)
A22500	Gain (loss) on disposal of Property, Plant and Equipment	(592)	527
A23200	Gains from disposal of investments accounted for using equity method	(2,163)	-
A20400	Net Losses from Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	2,489	1,990
A23800	Allowance for inventories	46,758	11,583
A24100	Foreign currency net (gains) losses	(20,094)	35,482
A29900	Amortization of prepaid lease payments	-	2,295
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	695	19,697
A31150	Accounts receivable	162,992	(420,329)
A31180	Other receivables	1,600	(9,867)
A31200	Inventories	132,636	(293,103)
A31230	Prepayments	(30,935)	(4,352)
A31240	Other current assets	3,083	(3,147)
A32125	Contract liabilities	12,898	20,866
A32130	Notes payable	(117,483)	216,089
A32150	Accounts payable	300,761	137,721
A32180	Other payables	(47,798)	45,134
A32230	Other current liabilities	7,709	(2,758)
A33000	Cash from operating activities	1,102,980	505,069
A33300	Interest paid	(43,376)	(39,601)
A33500	Income tax paid	(40,039)	(40,917)
AAAA	Net cash flows from operating activities	1,019,565	424,551

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Code		2019	2018
	Cash flows from investing activities		
B07500	Interest received	\$ 7,165	\$ 10,449
B00040	Acquisition of financial assets at amortized cost	(75,594)	-
B00050	Disposal of financial assets at amortized cost	-	151,886
B01800	Acquisition of affiliates	(10,000)	(8,987)
B02200	Acquisition of net cash outflow from subsidiaries	(120,534)	-
B02700	Purchase of property, plant, and equipment	(597,659)	(376,435)
B02800	Disposal of Property, Plant and Equipment	34,929	1,946
B04500	Purchase of intangible asset	(5,358)	(5,976)
B04600	Proceeds from disposal of intangible assets	1,626	-
B06100	Decreases in finance lease receivables	5,130	-
B03700	Refundable deposits paid	(3,395)	-
B03800	Refundable deposits refunded	-	3,742
BBBB	Net cash flows used in investing activities	(<u>763,690</u>)	(<u>223,375</u>)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(44,154)	(526,156)
C01200	Proceeds from issuing bonds	-	597,375
C01600	Increase in long-term borrowings	350,000	-
C01700	Repayment of long-term loan	-	(141,566)
C04020	Cash payments for the principal portion of the lease liability	(50,458)	-
C03000	Guarantee deposits received	180	-
C03100	Guarantee deposits refunded	-	(512)
C04500	Dividend paid to shareholders	(98,853)	(98,853)
C05800	Changes in non-controlling interests	-	(78,656)
CCCC	Net Cash Inflows (Outflows) from Financing Activities	<u>156,715</u>	(<u>248,368</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>20,550</u>)	(<u>12,425</u>)
EEEE	Increases (decreases) in cash and cash equivalents	392,040	(59,617)
E00100	Cash and cash equivalents at beginning of year	<u>550,292</u>	<u>609,909</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 942,332</u>	<u>\$ 550,292</u>

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

Lemtech Holdings Co., Limited and subsidiaries
Notes to the Consolidated Financial Statements
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Lemtech Holdings Co., Limited (hereinafter referred to as the "company") was established in the British Cayman Islands in September 2009. It is founded during organizational restructure mainly to apply for registration with the Taipei Exchange to facilitate stock trading. After the restructuring, the company became the controlling company of Lemtech Global Solution Co. Ltd. (hereinafter referred to as "Global Solution"), and obtained shares of Global Solution at a conversion ratio of 24.99: 1. The company, Global Solution and its subsidiaries (hereinafter referred to as the "combined company") mainly engaged in the production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins and the sales of self-produced products. The company's stock has been traded in the Taipei Exchange since Apr. 29, 2011, and it was listed and traded in the Taiwan Stock Exchange Corporation since May 21, 2015.

The company's functional currency is New Taiwan Dollars.

II. Date and procedures of Authorization of Financial Statements

The consolidated financial reports were approved by the Board of Directors on Mar. 25, 2020.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) The company has adopted new issuance of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the combined company:

1. IFRS 16 "Leases"

IFRS 16 stipulates accounting treatments for the identification of lease agreements and lessors and lessees. It will replace IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", and related interpretations. Please refer to Note 4 for related accounting policies.

Definitions of leases

The combined company shall elect to determine whether contracts signed (or changed) after Jan. 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16.

The combined company is the lessee.

The combined company shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheet except for

leases of low-value asset and short-term leases which shall be recognized on a straight-line basis. On the consolidated statement of comprehensive income, the depreciation expenses on right-of-use asset and interest expenses computed by using effective interest method on the lease liability shall be presented separately. In the consolidated statement of cash flows, cash payments for principle portion of the of lease liabilities shall be classified in financing activities, whereas cash payments for interest portion of the of lease liabilities shall be classified in operating activities. Prior to the application of IFRS 16, expense for operating lease contracts were recognized as expense on a straight-line basis. The lease prepayments for the acquisition of land use rights in China are recognized in the prepaid lease payments. Cash flow from operating leases is shown in operating activities on the Consolidated Statement of Cash Flows. Contracts classified as finance leases are recognized as lease assets and lease payables in the consolidated balance sheet.

The combined company is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on Jan. 1, 2019, without recompiling the comparative information.

Current agreements processed as operating lease under IAS 17 will be discounted by the remaining lease payments at the lessee's incremental borrowing rate of interest on Jan. 1, 2019. All right-of-use assets will be measured as lease liabilities on that day with the recognized prepayment adjusted and the rent payable or amount payable. IAS 36 will be applicable to impairment assessment on all right-of-use assets recognized.

The combined company is eligible for application of the following practical expedients:

- (1) Lease liabilities with reasonably similar characteristics under the same portfolio are measured at a single one discount rate.
- (2) Lease terms that end before Dec. 31, 2019, will be treated as short-term leases.
- (3) Original direct cost is not included in right-of-use asset measurement on Jan. 1, 2019.
- (4) When measuring lease liabilities, decisions on lease terms are clarified after use.

For leases classified as finance lease under IAS 17 before, the carrying amount of the leased asset and the lease liability of Dec. 31, 2018 will be adopted as the carrying amount of the right-of-use asset and the lease liability on Jan. 1, 2019.

The weighted average incremental borrowing rate of interest applicable to lease liabilities recognized by the combined company on Jan. 1, 2019 was 4.04%. The difference between the amount of lease liabilities and the total amount of future minimum lease payments under non-cancellable operating leases on Dec. 31, 2018 is explained as follows:

Total amount of future minimum lease payments	
under non-cancellable operating leases on Dec. 31,	\$ 109,342

2018

Less: Short-term leases to which exemption is applicable	(771)
Undiscounted total amount total on Jan. 1, 2019	\$ 108,571
Present value discounted at the incremental borrowing rate of interest on Jan. 1, 2019	\$ 118,565
Plus: Extended lease options	6,238
Lease liabilities balance on Jan. 1, 2019	\$ 124,803

Adjustments in assets, liabilities and equity on Jan. 1, 2019 due to the first-time adoption of IFRS 16 were as follows:

	Balance before adjustments of Jan. 1, 2019	First-time adoption adjustment	Adjusted balance as of Jan. 1, 2019
Prepayments	\$ 2,251	(\$ 2,251)	\$ -
Long-term prepaid lease payments	88,214	(88,214)	-
Right-of-use assets	-	215,268	215,268
Impact of assets	\$ 90,465	\$ 124,803	\$ 215,268
Lease liabilities - current	\$ -	(\$ 32,992)	(\$ 32,992)
Lease liabilities - non-current	-	(91,811)	(91,811)
Impact of liabilities	\$ -	(\$ 124,803)	(\$ 124,803)

2. IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty about the tax treatment of the income, the combined Company must assume that the tax authorities will be able to take all relevant information for review. If it is decided that the tax treatment of its application is likely to be accepted by the tax authorities, the income, tax base, unused tax losses, unused tax credits and tax rates must be consistent with the tax treatment used in reporting the income tax. Otherwise, the combined company shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predicts the resolution of the uncertainty. The combined company will reassess its judgments and estimates if facts and circumstances change.

(II) Applicable IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") in 2020

New Standards, Interpretations, and Amendments	Effective Date Issued by IASB
Amendment to IFRS 3 "Definition of a Business"	Jan. 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7	Jan. 1, 2020 (Note 2)

New Standards, Interpretations, and Amendments	Effective Date Issued by IASB
"Interest Rate Benchmark Reform" Amendment to IAS 1 and IAS 8 "Definition of Material"	Jan. 1, 2020 (Note 3)

Note 1: Corporate mergers with an acquisition date between the starting date of the annual report on Jan. 1, 2020 and assets acquired after this date shall be applicable to this amendment.

Note 2: This amendment shall apply retrospectively to the accounts in the fiscal years starting after Jan. 1, 2020.

Note 3: Accounts in the fiscal years starting after Jan. 1, 2020 shall be applicable to this amendment.

As of the date the consolidated financial reports were authorized for publication, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

(III) Standards issued by IASB but not yet endorsed by FSC

New Standards, Interpretations, and Amendments	Effective Date Published by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	Jan. 1, 2021
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	Jan. 1, 2020

Note 1: Unless otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the fiscal year after the reporting period.

As of the date the consolidated financial reports were authorized for publication, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of Compliance

The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC that have entered into effect.

(II) Basis of Preparation

The consolidated financial reports were prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Basis of Consolidation

The Consolidated Financial Report includes the financial reports of the company and its wholly owned subsidiaries. Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the combined company. In the Consolidated Financial Report, all intercompany transactions, account balances, income and expenses between the entities have been offset. A subsidiary's total comprehensive income is attributed to the shareholders of the company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change is effected in the ownership of the subsidiary, the combined company does not lose control of it and it will be treated as equity transaction. The carrying amounts of the combined company and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the company.

Please refer to Note 13, Attachment 7 and Attachment 8 for details, shareholding ratio, and business items of subsidiaries.

(V) Business combination

The acquisition method is applied to business combinations. Acquisition costs are listed in the period of its incurrence and service.

Goodwill is measured at the aggregate of the fair value of the consideration transferred, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed.

Where the acquirer holds non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Other non-controlling interests are measured at fair value.

The combined company did not adopt the acquisition method to deal with business combinations done for organizational restructuring, but adopted the book value method.

(VI) Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Except for the following items, foreign exchange differences arising from settlement or translation of monetary items are recognized in gain or loss in the year in which they arise.

Monetary items receivable or payable to foreign operating agencies whose settlement is currently neither planned nor likely to occur in the foreseeable future (thus forming part of the net investment in the foreign operating agency), such foreign exchange differences shall be recognized initially in other comprehensive income and reclassified from equity to gain or loss on disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in gain or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries and affiliated enterprises based or conducted in a country or currency other than the company's function currency) are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date. Income

and expense items are translated at the average exchange rates for the period. Where exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity and attributed to the proprietors of the company and non-controlling interests as appropriate.

(VII) Inventories

Inventories include raw materials, materials, work in progress and finished goods. The value of inventory shall be determined based on the cost and Net Realizable Value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Cost of inventory is calculated using weighted-average method.

(VIII) Investment in the affiliates

Affiliates are entities over which the combined company has significant influence but they are neither subsidiaries nor joint ventures.

The combined company follows equity method for investment in affiliates.

Under the equity method, the investment on affiliates is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's interest in gain and loss, shares in other comprehensive income and profit distribution by the affiliates. Also, the combined company's interest in affiliates and joint ventures are recognized in accordance with the shareholding ratio.

Any excess of acquisition cost over the combined company's share of an affiliate's or a joint venture's identifiable assets and liabilities measured at the fair value on the date of acquisition is recognized as goodwill. The goodwill shall be included in the carrying amount of the investment but not allowed for amortization. If the combined company's share of the net fair value of the identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized immediately in gain or loss.

When the combined company's share of loss derived from the investment of an affiliate equals or exceeds the combined company's interest (including the carrying amount of the investment and other long-term substantial interests in the affiliate's net asset in proportion to ownership percentage), the combined company shall cease recognizing losses further. The combined company only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payment on behalf of an affiliate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of the value in use and fair value less costs to sell) with its carrying amount. Any impairment loss will not be recognized as a charge against the carrying amount of an investment (including goodwill). Any reversal of the impairment loss shall be recognized after subsequent increases in the recoverable amount of investment.

Gain or loss in upstream and downstream transactions between the combined company and the affiliates or transactions between investees needs to be shown in the Consolidated Financial Report when not affecting the interests of the combined company or the affiliate.

(IX) Property, Plant and Equipment

Property, Plant and Equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and impairment.

Property, Plant and Equipment under construction are recognized at cost less accumulated impairment. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate Property, Plant and Equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

The depreciation of Property, Plant and Equipment is recognized on straight-line basis and each major part/component will be shown independently. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

When derecognizing Property, Plant and Equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in gain or loss.

(X) Goodwill

The value of goodwill received through business combination has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, the goodwill is distributed among various cash-generating units or cash-generating groups which the combined company hopes to derive benefit from the overall performance after business combination (hereinafter referred to as the "cash-generating units").

The cash-generating units that were allocated the goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill was obtained by the cash-generating unit through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit that received goodwill is lower than the carrying amount, the loss on impairment is added to the carrying cost of the unit that got goodwill allocation. The proportion of reduction in other carrying amounts of assets in the unit will be used to reduce the carrying cost of such asset. Any impairment loss is recognized directly as loss in the current period. Loss in impairment of goodwill cannot be reversed subsequently.

When disposing a certain operation within the cash-generating unit with amortized goodwill, the amount of goodwill related to the disposed

operations is included in the carrying amount of the operations to determine the disposal of gain or loss.

(XI) Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and loss. Amortization is recognized using the straight-line method. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

2. Acquisition from business combinations

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately and are subsequently measured the same separately as intangible assets acquired separately.

3. Derecognition

When derecognition of an intangible asset, the difference between the net proceed of disposal and the carrying amount of the asset is recognized in gain or loss for the period.

(XII) Impairment of tangible, intangible assets and contract costs

On each balance sheet date, the combined company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the combined company must determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the individual asset or recoverable amount of the cash generating unit is lower than the carrying amount, the carrying amount of the asset or of the cash generating unit will be reduced to the extent of recoverable amount and the impairment loss will be recognized in gain or loss.

The amount of the impairment loss on inventories, property, plant and equipment and intangible assets recognized due to customer contracts shall be recognized, firstly, in accordance with rules governing the impairment of inventory and the above rules governing the recognition of impairment. Secondly, where the carrying amount of the contract cost relevant assets exceeds the sum of the estimated balance that the relevant product or service is expected to be received minus relevant costs, such amount shall be recognized as impairment loss. Subsequently, the carrying amount of the contract cost relevant assets shall be accounted for in the cash-generating unit in which they belong in order to conduct impairment assessment on the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of an asset, the cash generating unit, or the contract cost-related asset is reversed to the extent not exceed the carrying amount (minus

amortization or depreciation) of the asset, cash generating unit, or contract cost-related asset that had not been impaired in the previous years. The reversed impairment loss will be recognized in gain or loss.

(XIII) Financial instruments

Financial assets and liabilities will be recognized in the balance sheet when the combined company becomes a party to the contract of financial instrument.

When recognizing the original financial assets and liabilities, if they are not measured at fair value through profit or loss, it is assessed based on the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit and loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

The combined company holds financial assets that are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost

When the combined company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- A. Held under a certain business model of which the objective of holding the financial assets is to collect contractual cash flows; and
- B. The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits measured at amortized cost) are measured at the aggregate carrying amount of the financial asset after initial recognition and determined by using the effective interest method. Any foreign currency exchange gains and losses are recognized in gain or loss.

Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- A. The interest income of a credit-impaired financial asset purchased or provided for the founding is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- B. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying

the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Cash equivalents include fixed deposits obtained within three months with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

(2) Impairment of financial assets and contract assets

On each balance sheet date, the combined company assesses the impairment loss of financial assets (including accounts receivable) and finance lease receivables measured at amortized cost based on expected credit losses.

Loss allowance shall be recognized for accounts receivable and finance lease receivable based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the original recognition. If there is no significant increase in risks, an allowance for expected credit loss shall be recognized based on a 12-month period. If the risks have increased significantly, loss allowance shall be recognized in the lifetime of such assets.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, without consideration of the collateral held, the combined company shall determine that a default of financial instrument has occurred if one of the following applies:

- A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
- B. Overdue for more than one year, unless there is reasonable evidence showing that a delayed basis of default is more appropriate.

The impairment loss of all financial assets is accrued from their carrying amount based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The combined company may only derecognize the financial assets when the contractual rights to the cash flow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

On derecognition of a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in gain or loss. On derecognition of a debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in gain or loss. When the company's equity instruments are measured at fair value through other comprehensive income, the accumulated gain or loss is transferred directly to retained earnings and is not reclassified to gain or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss are designated as measured at fair value through profit or loss.

The combined company designated the financial liabilities as being measured at fair value through profit or loss in the original recognition in the following cases:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or

B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the key management personnel.

C. Designate the overall mixed (combined) contract containing one or more embedded derivatives.

Once designated as financial liabilities at fair value through profit or loss, its amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profit or loss, will only be reclassified to retained earnings when derecognizing such financial liabilities. Except for the interest accrued, which is recognized in financial costs, the changes in fair value of such liability are reported in other gains and losses. However, if change in fair value due to credit risk is recognized in other comprehensive income, its will cause or worsen the accounting mismatch, then such changes in fair value of the liability in its entirety shall be fully recognized in gain or loss.

Please refer to Note 35 for the methods in determining fair values.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in gain or loss.

3. Convertible bonds

Compound financial instruments issued by the combined company (convertible bonds) are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, fair value of the liability component is calculated by using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability amortized at effective interest method until extinguished upon conversion or the instrument's maturity date. The liability component of an embedded derivative instrument is measured at fair value.

Conversion option is the equity component of a compound financial instrument which is measured at the amount of the fair value of the overall compound instrument deducted by the fair value of the liability component. The amount of the conversion option net of tax is recognized as equity so is not subsequently remeasured. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issuance of the convertible bonds are divided into liability (list the carrying amount of liability) and equity (list in equity) components and in proportion to the respective values of the liability and equity components of the overall instrument.

(XIV) Revenue Recognition

After the combined company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

Revenue from sales of goods

Revenue is derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when it is sold, and bears the risk of loss or damage to it, the combined company recognizes the revenue and accounts receivable at that point.

(XV) Leases

2019

The combined company assesses whether a contract is (or contains) a lease on the execution date of the contract.

1. The combined company is a Lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

When the combined company subleases the right-of-use asset, it determines the classification of the sublease by the right-of-use asset (not the underlying asset). However, if the main lease is a short-term lease where the recognition exemption is applicable for the combined company, the sublease is classified as an operating lease.

Under finance leases, lease payments are fixed payments. Net lease investment is measured as the sum of the present value of lease receivables and unguaranteed residual value plus the original direct cost and expressed as finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return on the unexpired net lease investment of the combined company in each period.
2. The combined company is a Lessee

A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost (including the original amount of the lease liability), and subsequently measured at the cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of lease liabilities is adjusted. Right-of-use assets are expressed separately in the consolidated balance sheet.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful lives, or to the end of the lease term, whichever is earlier.

A lease liability is initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the combined company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in gain or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

2018

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

1. The combined company is a Lessee

Payment for operating leases are recognized as expenses during the lease period based on straight-line method.

2. Land and Building Leases

When leases include land and building elements, the Company classifies them as finance or operating leases based on whether most risks and rewards from ownership of the elements have been transferred to the lessee. Minimum lease payments shall be apportioned to land and buildings in proportion to the fair value of land and building lease rights on the lease start date.

If lease payments can be allocated reliably between these two elements, then each element is classified under relevant lease. If lease payments cannot be allocated reliably between the two elements, the entire lease is classified under finance lease. If both elements clearly meet the standards of operating leases, the entire lease is classified under operating lease.

(XVI) Government subsidies

Government subsidies are only recognized when they can be reasonably assured that the combined company will comply with the conditions imposed by government subsidies and that such subsidies will be recognized when received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the combined company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

(XVII) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Benefits after retirement

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

(XVIII) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

A tax is levied on the unappropriated earnings of the subsidiary in Taiwan pursuant to the Income Tax Act and is recognized as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely to be taxable income for the deductible temporary differences or the carryforward of unused tax losses.

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

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

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

If current income or deferred tax arises from business combination, tax effects are included in the accounting for business combination.

V. Significant accounting judgments and assumptions, and major sources of estimation uncertainty

When the combined company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

VI. Cash and cash equivalents

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Cash on hand and revolving funds	\$ 1,339	\$ 640
Checking accounts and demand deposits	910,415	549,652
Cash equivalents (investments with original maturity date of less than three months)		
Bank fixed deposit	30,578	-
	<u>\$ 942,332</u>	<u>\$ 550,292</u>

Bank Interest rates at the balance sheet date were categorized into different internals listed as follows:

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Bank deposits	0.0001%~0.35%	0.01%~0.33%
Fixed deposits	2.15%	-

VII. Financial instruments measured at fair value through profit or loss

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Financial liabilities – current		
Designation as at fair value through profit or loss		
Derivatives (hedge unspecified)-Redemption Option (Note 22)	<u>\$ 3,392</u>	<u>\$ 910</u>

VIII. Financial assets at amortized cost

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Current		
Domestic investment		
Bank deposits - restricted	\$ 4,355	\$ 3,842
Fixed deposits with original maturity over 3 months - restricted	75,081	-
	<u>\$ 79,436</u>	<u>\$ 3,842</u>

For details on pledges, please refer to Note 37.

As of Dec. 31, 2019, the annual rate of fixed deposits with original date due of more than three months is 2.25%.

IX. Credit Risk Management for Debt Instruments

All debt instruments invested by the combined company are financial assets measured at amortized cost.

Dec. 31, 2019

Measured at amortized

	cost
Total carrying amount	\$ 79,436
Loss allowance	=
Amortized cost	<u>\$ 79,436</u>

Dec. 31, 2018

	Measured at amortized cost
Total carrying amount	\$ 3,842
Loss allowance	=
Amortized cost	<u>\$ 3,842</u>

To mitigate credit risk, the management of the combined company shall perform credit rating assessments to assess the default risk of debt instrument investment institutions. For credit rating items which lacks external rating information, appropriate internal rating shall be given by referencing public financial information. The combined company continuously tracks information such as material information from the financial institutions to monitor changes in the credit risk of the debt instruments it has invested in, and evaluates whether the credit risk of the debt instrument investments has increased significantly since its original recognition.

The combined company takes stock of the historical default records and current financial conditions of financial institutions provided by the internal credit rating team, so as to measure the 12-month expected credit loss or the lifetime expected credit loss of the debt instrument investment.

The combined company's current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Losses
Normal 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses

The total book value of each credit rating debt instrument investment and the applicable expected credit loss rate are as follows:

Dec. 31, 2019

Credit Rating	Expected credit loss rate	Total carrying amount Measured at amortized cost
Normal	0%	\$ 79,436

Dec. 31, 2018

Credit Rating	Expected credit loss rate	Total carrying amount Measured at amortized cost
Normal	0%	\$ 3,842

X. Notes receivable, accounts receivable and other receivables

	Dec. 31, 2019	Dec. 31, 2018
Notes receivable		
Measured at amortized cost		
Total carrying amount	\$ 4,684	\$ 5,379
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 4,684</u>	<u>\$ 5,379</u>
Accounts receivable		
Measured at amortized cost		
Total carrying amount	\$ 2,109,054	\$ 2,118,093
Less: Loss allowance	(32,348)	(28,077)
Other comprehensive income measured at fair value	<u>-</u>	<u>130,136</u>
	<u>\$ 2,076,706</u>	<u>\$ 2,220,152</u>
Other receivables		
Others	<u>\$ 17,122</u>	<u>\$ 17,828</u>

Accounts receivable

(I) Accounts receivable measured at amortized cost

The average credit granting period for product sales of combined company is 150 days. The combined company adopts a policy of treating transactions with counterparties approved by the company's credit ratings assessment and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. The combined company shall use publicly obtainable financial information and past transaction records to grade main customers. The combined company continues to monitor credit risk exposure and the credit ratings of counterparties and distributes total transaction amounts among qualified customers only. It also manages credit risk exposure through reviews and credit line approval through the audit committee.

The combined company recognizes loss allowance for accounts receivable in accordance with lifetime expected credit loss. Lifetime expected credit losses are calculated based on the bad debt provision matrix which accounts for the customer's past default records, current financial status, and economic conditions in the industry. GDP forecasts and the outlook of the industry are also considered. The combined company separates individual customers into different risk groups and recognizes loss allowance based on the expected loss rate of each group. The combined company has no notes receivable that are overdue but for which allowance has not been recognized as of the balance sheet date, and considering that no impairment has occurred in the past, the expected credit impairment loss rate of notes receivable is set at 0%.

The combined company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial

difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the combined company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in gain or loss.

Measurement of loss allowance for notes receivable and accounts receivable based on provisional matrix by the combined company is as follows:

Dec. 31, 2019

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~17.94%	0%~27.47%	9.09%~33.06%	14.29%~40.01%	25%~59.97%	28.31%~100%	25.83%~100%	
Total carrying amount	\$ 1,882,993	\$ 178,413	\$ 18,494	\$ 10,881	\$ 882	\$ 4,586	\$ 17,489	\$ 2,113,738
Loss allowance (lifetime expected credit loss)	(<u>1,547</u>)	(<u>3,004</u>)	(<u>4,990</u>)	(<u>3,221</u>)	(<u>405</u>)	(<u>2,115</u>)	(<u>17,066</u>)	(<u>32,348</u>)
Amortized cost	<u>\$ 1,881,446</u>	<u>\$ 175,409</u>	<u>\$ 13,504</u>	<u>\$ 7,660</u>	<u>\$ 477</u>	<u>\$ 2,471</u>	<u>\$ 423</u>	<u>\$ 2,081,390</u>

Dec. 31, 2018

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~4.7%	0%~5.43%	0%~11.56%	0%~19.88%	0%~26.32%	0%~49.69%	7.73%~100%	
Total carrying amount	\$ 1,688,447	\$ 458,183	\$ 31,483	\$ 42,054	\$ 901	\$ 6,619	\$ 25,921	\$ 2,253,608
Loss allowance (lifetime expected credit loss)	(<u>1,271</u>)	(<u>3,721</u>)	(<u>1,884</u>)	(<u>1,216</u>)	(<u>18</u>)	(<u>1,039</u>)	(<u>18,928</u>)	(<u>28,077</u>)
Amortized cost	<u>\$ 1,687,176</u>	<u>\$ 454,462</u>	<u>\$ 29,599</u>	<u>\$ 40,838</u>	<u>\$ 883</u>	<u>\$ 5,580</u>	<u>\$ 6,993</u>	<u>\$ 2,225,531</u>

Changes in loss allowance for accounts receivable are as follows:

	2019	2018
Opening balance	\$ 28,077	\$ 16,619
: Impairment loss recognized	5,673	12,011
: Amounts actual written off	(4)	-
Foreign currency translation differences	(<u>1,398</u>)	(<u>553</u>)
Balance at the end of the year	<u>\$ 32,348</u>	<u>\$ 28,077</u>

Compared with the opening balance, the total carrying value of accounts receivable in 2019 and 2018 experienced a net decrease of NT\$139,175 thousand and a net increase of NT\$420,329 thousand, respectively, and resulted in increases in the loss allowance of NT\$5,673 thousand and NT\$12,011 thousand, respectively. The increase in the loss allowance in 2019 was mainly due to the increase in the number of aging days of accounts receivable.

(II) Accounts receivable measured at fair value through other comprehensive income

For the larger amount of receivables, the combined company will decide whether to sell it to the bank without recourse depending on the conditions of the working capital. The combined company's business model for managing such accounts receivable is achieved by receiving contractual cash flows and selling financial assets. Therefore, such accounts receivables are measured at fair value through other comprehensive income.

XI. Finance lease receivables

The composition of finance lease receivables in 2019 is as follows:

Dec. 31, 2019

Undiscounted lease payments

Year 1	\$ 6,381
Year 2	6,381
Year 3	6,381
Year 4	<u>1,862</u>
	<u>21,005</u>
Less: unearned finance income	(1,676)
Lease payment receivable	<u>19,329</u>
Net investment in a lease (expressed as finance lease receivables)	<u>\$ 19,329</u>

The combined company sub-leased part of the leased plant in April, 2019 and received a fixed lease payment of NT\$6,381 thousand per year. Since the remaining period of the main lease was fully sub-leased, it was classified as a finance lease.

The interest rate implicit in a lease during the lease period will not change after determination on the contract date. The interest rate implicit in the finance lease as of Dec. 31, 2019 is 5% per annum.

The combined company measures the loss allowance of finance lease receivables based on lifetime expected credit losses. Finance lease payment receivables are pledged by leased equipment. As of the balance sheet date, there were no overdue outstanding finance lease receivables. At the same time, considering counterparties' past default records, the future development of the relevant industry of the subject if the lease and the value of collateral, the combined company deemed that no impairment has occurred for the above financial lease payment receivable.

XII. Inventory

	Dec. 31, 2019	Dec. 31, 2018
Finished goods	\$ 413,233	\$ 518,020
Work-in-process	178,556	209,601
Raw material	<u>144,929</u>	<u>172,899</u>
	<u>\$ 736,718</u>	<u>\$ 900,520</u>

In 2019 and 2018, the cost of sales for inventories was NT\$4,011,648 thousand and NT\$4,757,020 thousand, respectively. The cost of sales includes inventory losses of NT\$46,758 thousand and NT\$11,583 thousand.

XIII. Subsidiaries

Subsidiaries included in the consolidated financial reports

The entities of the Consolidated Financial Report are as follows:

Investor company	Name of subsidiaries	Business activities	Percentage of equity interest held		Description
			Dec. 31, 2019	Dec. 31, 2018	
Lemtech Global Solution Co. Ltd.	Lemtech Global Solution Co. Ltd. (formerly Super Solution Co., Ltd., hereinafter referred to as "Global Solution")	Investment holding companies	100	100	On Nov. 23, 2009, all shares were obtained by a stock swap.
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, as well as sales of self-produced	0.2	0.2	Merged LDC Precision Engineering Co., Ltd (Kunshan) in on Mar. 17, 2010. (Note

Lemtech Global Solution Co. Ltd.	"Lemtech Precision Material") Zhenjiang Emtron Surface Treatment Limited Company (hereinafter referred to as "Emtron Company")	products, etc. Surface treatment of mechanical, electronic and automotive components	83.33	-	2) Investment funds were remitted on Jan. 22, 2019. (Note 3)
Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	57	-	Notes 1 and 4.
Lemtech Global Solution Co. Ltd.	Lemtech Cooling System Limited (hereinafter referred to as "Lemtech Cooling")	Investment holding companies	100	-	Established on Jun. 12, 2019, and funds remitted for the shares on Aug. 22, 2019. (Note 1)
Global Solution	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	99.8	99.8	Merged LDC Precision Engineering Co., Ltd (Kunshan) in on Mar. 17, 2010. (Note 2)
Lemtech Cooling	Lemtech Philippine Thermal System Inc. (hereinafter referred to as "Lemtech Philippine")	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	100	-	Established on Jul. 15, 2019, and funds remitted for the shares on Oct. 30, 2019. (Note 1)
Lemtech Cooling	Lemtech Energy Solutions Corporation (Taiwan) (hereinafter referred to as "Lemtech Energy Solutions Corporation", formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	100	-	Notes 5 and 6.
Lemtech Cooling	Kunshan Lemtech Electronics Technology Co., Ltd. (hereinafter referred to as "Lemtech Electronics Company")	R & D, manufacturing, and sales of self-produced electronic components, special electronic materials, and cooling modules; engaged in the production of the same products of the parent company and the wholesale, import and export of raw materials and mechanical equipment used by the parent company	100	-	Established on Oct. 9, 2019, and funds remitted for the shares on Dec. 3, 2019. (Note 1)
Lemtech Precision Material	LDC Precision Engineering Co., Ltd. (hereinafter referred to as "LDC Company")	Manufacture and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic machinery, automobiles and automotive parts, other optical and precision machinery	100	100	Established on May 10, 2010.
Lemtech Precision Material	Lemtech Technology Limited (hereinafter referred to as "Lemtech HK")	Sales of automotive, electronics and computer peripheral parts	100	100	Established on Apr. 9, 2014.
Lemtech Precision Material	Lemtech Precision Material (CZECH) s.r.o. (hereinafter referred to as "Lemtech CZ")	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	100	100	Operations began on Jan. 1, 2017. (Note 1)
Lemtech HK	Lemtech USA Inc. (hereinafter referred to as "Lemtech USA")	U.S. business development, business information collection, provision of market intelligence and industry information	100	100	Established on May 31, 2013. (Note 1)
Lemtech HK	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	-	57	Established on Dec. 17, 2015, and funds remitted for the shares on Apr. 12, 2016. (Notes 1 & 4)
LIS	Kunshan Lemtech Slide Technology Co., Ltd. (China) (hereinafter referred to as "Lemtech Slide Company")	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	100	100	Established on Jul. 21, 2016. (Note 1)

Notes:

1. Lemtech Philippine, Lemtech Electronics Company, Emtron Company, Lemtech Cooling, Lemtech Energy Solutions Corporation, Lemtech USA, Lemtech CZ, LIS, LDC Company, and Lemtech Slide Company are all non-essential subsidiaries. Except LDC Company, the financial reports of the

rest have not been audited by a certified public accountant; however, the management of the combined company deemed that the fact that the financial reports of the above-mentioned non-essential subsidiaries have not been audited by a certified public accountant would not resulted in significant differences.

2. The combined company introduced strategic shareholders to expand business in China. The board of directors resolved to sell 10% of the shares of Lemtech Precision Material, and completed the relevant equity transfer on Oct. 21, 2015. The board of directors resolved that Lemtech Global Solution Co. Ltd. shall reacquired 0.2% of the shares of the subsidiary Lemtech Precision Material and Global Solution acquired the 9.8% of the shares of the subsidiary Lemtech Precision Material on Sep. 28, 2018. For details on the relevant transactions, please refer to Note 32.
3. In order to continue to expand the production supply chain of automobile components in China and achieve stability and improve gross profit, the combined company signed a contract on Jan. 23, 2019 and paid the total transaction amount of NT\$111,966 thousand, or US\$3,640 thousand, to acquire 83.33% of the equity and debt of Emtron Company, which completed equity transfer on Jan. 23, 2019. For details on the relevant transactions, please refer to Note 31.
4. In accordance with the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted its investment structure in accordance with board resolution. In April, 2019, LIS held by Lemtech HK was assigned to be held by Lemtech Global Solution Co. Ltd.
5. Lemtech Cryomax System Corp. was established on Apr. 2, 2015. On Nov. 10, 2018, Global Solution acquired 50% of the equity of Lemtech Cryomax System Corp., and obtained a gain from a bargain purchase from Lemtech Cryomax System Corp. at NT\$298 thousand. Participated in capital increase in cash in January, 2019, and the shareholding ratio remained unchanged after the capital increase. The company name was changed to Lemtech Energy Solutions Corporation since October 2019.
6. Corresponding to the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted the investment structure in accordance with board resolution, and assigned 50% of equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) held by Lemtech Global Solution Co. Ltd to Lemtech Cooling. And Lemtech Cooling shall acquire the remaining 50% equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.). Relevant contracts were executed on Jul. 1, 2019, and the total transaction amount of NT\$30,000 thousand was paid and the equity transfers completed. For details on the relevant transactions, please refer to Note 31.

XIV. Investment using equity method

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Affiliates not individually significant		
Aapico Lemtech (I)	\$ 32,923	\$ 29,692
Lemtech Energy Solutions Corporation	<u>-</u>	<u>3,810</u>

(formerly Lemtech Cryomax System Corp.)

(II)

\$ 32,923

\$ 33,502

- (I) The combined company signed an investment agreement with Thai listed company Aapico Hitech Plc. (AH: TB) on Mar. 1, 2013, invested in cash, and jointly established Aapico Lemtech (Thailand) Co. on Mar. 1, 2013. , Ltd. (hereinafter referred to as "Aapico Lemtech"). In accordance with the company's operating plan, on Jun. 30, 2016, the combined company adjusted the equity held of Aapico Lemtech, the holding is assigned to Global Solution to Lemtech HK.
- (II) The combined company adjusted the investment structure on Jul. 1, 2019. For details, please refer to Notes 13 and 6.
- (III) The ratios of ownership, equities, and voting rights of the combined company in affiliate enterprises are as follows:

Name	Business activities	Principal place of business	Percentage of Ownership and Votes	
			Dec. 31, 2019	Dec. 31, 2018
Aapico Lemtech	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	Thailand	40%	40%
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	Taiwan	100% (Subsidiaries included in the consolidated financial reports)	50%

The gain and loss and other comprehensive income proportions of affiliates using the equity method in 2019 and 2018 were recognized and disclosed based on the financial report of the investee without CPAs' verification during the same period; however, the management of the combined company deemed that no significant influence will occur from the use of such financial reports.

For the information of the main business and products, main place of business and country registered for the aforementioned affiliates, please refer to Attachment 7, "Information of Invested Companies".

XV. Property, Plant and Equipment

For self-use

2019

\$ 1,808,305

(I) for self-use - 2019

	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
Cost									
Balance as of Jan. 1, 2019	\$ -	\$ 507,950	\$ 852,434	\$ 33,078	\$ 40,452	\$ 69,904	\$ 362,046	\$ 4,746	\$ 1,870,610
Additions	444,705	68	94,666	1,544	2,631	14,419	20,851	23,972	602,856
Acquired through business combinations	-	150	40,471	918	269	-	3,786	-	45,594
Disposal	-	-	(63,186)	(2,602)	(4,622)	-	(7,246)	(90)	(77,746)
Reclassification	48,893	-	136,195	21	34	(405)	24,020	(4,872)	203,886
Net exchange differences	-	(18,860)	(35,098)	(1,251)	(1,405)	(2,616)	(12,319)	(177)	(71,726)
Balance as of Dec. 31, 2019	<u>\$ 493,598</u>	<u>\$ 489,308</u>	<u>\$ 1,025,482</u>	<u>\$ 31,708</u>	<u>\$ 37,359</u>	<u>\$ 81,302</u>	<u>\$ 391,138</u>	<u>\$ 23,579</u>	<u>\$ 2,573,474</u>
Accumulated depreciation and impairment									
Balance as of Jan. 1, 2019	\$ -	\$ 64,297	\$ 326,068	\$ 18,851	\$ 29,004	\$ 31,775	\$ 169,724	\$ -	\$ 639,719
Depreciation expense	-	25,151	96,918	4,313	3,773	9,864	57,042	-	197,061
Disposal	-	-	(35,745)	(1,395)	(3,017)	-	(3,252)	-	(43,409)
Reclassification	-	-	-	-	-	(56)	56	-	-
Net exchange differences	-	(2,975)	(14,477)	(763)	(1,085)	(1,448)	(7,454)	-	(28,202)
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 86,473</u>	<u>\$ 372,764</u>	<u>\$ 21,006</u>	<u>\$ 28,675</u>	<u>\$ 40,135</u>	<u>\$ 216,116</u>	<u>\$ -</u>	<u>\$ 765,169</u>
Net balance as of Dec. 31, 2019	<u>\$ 493,598</u>	<u>\$ 402,835</u>	<u>\$ 652,718</u>	<u>\$ 10,702</u>	<u>\$ 8,684</u>	<u>\$ 41,167</u>	<u>\$ 175,022</u>	<u>\$ 23,579</u>	<u>\$ 1,808,305</u>

In 2019, as there is no indicator of impairment, the combined company did not conduct impairment assessment.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	20 years
Machinery equipment	3 to 10 years
Office equipment	2 to 10 years
Transportation equipment	5 years
Leasehold improvements	1 to 5 years
Other Equipment	2 to 10 years

Please refer to Note 37 for the amount of property, plant and equipment pledged as collateral for borrowings.

(II) 2018

	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
Cost								
Balance as of Jan. 1, 2018	\$ 488,017	\$ 701,327	\$ 28,941	\$ 36,730	\$ 29,994	\$ 189,718	\$ 6,508	\$1,481,235
Additions	35,915	176,779	10,781	5,747	34,420	184,442	4,746	452,830
Disposal	-	(18,765)	(6,085)	(1,334)	-	(152)	-	(26,339)
Reclassification	(6,101)	7,146	-	-	6,101	(8,140)	(6,375)	(7,369)
Net exchange differences	(9,881)	(14,053)	(559)	(691)	(611)	(3,822)	(133)	(29,750)
Balance as of Dec. 31, 2018	<u>\$ 507,950</u>	<u>\$ 852,434</u>	<u>\$ 33,078</u>	<u>\$ 40,452</u>	<u>\$ 69,904</u>	<u>\$ 362,046</u>	<u>\$ 4,746</u>	<u>\$1,870,610</u>
Accumulated depreciation and impairment								
Balance as of Jan. 1, 2018	\$ 39,767	\$ 275,837	\$ 21,249	\$ 25,371	\$ 27,896	\$ 120,364	\$ -	\$ 510,484
Disposal	-	(16,323)	(6,063)	(1,327)	-	(150)	-	(23,863)
Reclassification	(153)	-	-	-	-	-	-	(153)
Depreciation expense	25,956	73,460	4,153	5,537	4,572	53,015	-	166,693
Net exchange differences	(1,273)	(6,906)	(488)	(577)	(693)	(3,505)	-	(13,442)
Balance as of Dec. 31, 2018	<u>\$ 64,297</u>	<u>\$ 326,068</u>	<u>\$ 18,851</u>	<u>\$ 29,004</u>	<u>\$ 31,775</u>	<u>\$ 169,724</u>	<u>\$ -</u>	<u>\$ 639,719</u>
Net balance as of Dec. 31, 2018	<u>\$ 443,653</u>	<u>\$ 526,366</u>	<u>\$ 14,227</u>	<u>\$ 11,448</u>	<u>\$ 38,129</u>	<u>\$ 192,322</u>	<u>\$ 4,746</u>	<u>\$1,230,891</u>

In 2018, as there is no indicator of impairment, the combined company did not conduct impairment assessment.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	20 years
Machinery equipment	5 to 10 years
Office equipment	5 years
Transportation equipment	5 years
Leasehold improvements	2 to 3 years
Other Equipment	2 to 5 Years

XVI. Lease Agreement

(I) Right-of-use assets - 2019

	2019
Carrying value of right-of-use assets	
Land use rights	\$ 84,920
Building	143,859
Transportation Equipment	<u>4,322</u>
	<u>\$233,101</u>
Addition to right-of-use assets	<u>\$ 41,610</u>
Depreciation expenses of right-of-use	

	2019
assets	
Land use rights	\$ 2,224
Building	45,457
Transportation Equipment	<u>1,653</u>
	<u>\$ 49,334</u>

The right-of-use asset includes long-term prepaid rent for leased land in China, and the combined company has obtained certificate for the land use rights of such land.

(II) Lease liabilities - 2019

	2019
Carrying amount of lease liabilities	
current	<u>\$ 47,803</u>
noncurrent	<u>\$120,340</u>

The discount rate intervals for lease liabilities are as follows:

	2019
Building	1.1%~7.42%
Transportation equipment	3.16%

(III) Important Leasing Activities and Terms

The combined company rent certain land, buildings, and transportation equipment as plant, office, and office use by employees. The lease period is 2 to 50 years. At the end of the lease term, the combined company has no preferential right to take over the leased building.

(IV) Sublease

For information on subleasing, please refer to Note 11.

(V) Other lease information

	2019
Expense on leases of low-value assets	<u>\$ 6,950</u>
Total cash outflow from lease	<u>\$ 57,408</u>

The combined company choose to apply recognition exemptions to some buildings and transportation equipment that qualify as leases of low-value assets. Consequently, the combined company does not recognize any right-of-use assets or lease liabilities for the said leases.

2018

The total minimum future payable amount for operating leases that cannot be canceled are as follows:

	2018
Less than 1 year	\$ 29,145
1 - 5 years	<u>80,197</u>
	<u>\$ 109,342</u>

XVII. Goodwill

2019

Cost	
Opening balance	\$ -
Acquisition through business combinations for the current year (Note 31)	82,740
Net exchange differences	(353)
Balance at the end of the year	<u>\$ 82,387</u>
Accumulated impairment losses	
Opening balance	\$ -
Recognized Impairment of the Year	-
Balance at the end of the year	<u>\$ -</u>
Net balance at the end of the year	<u>\$ 82,387</u>

The combined company acquired Zhenjiang Emtron Surface Treatment Limited Company on Jan. 22, 2019, gained goodwill of NT\$78,155, which is mainly due to the benefits expected from a stable production supply chain of automotive components in China.

The combined company acquired Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) on Jul. 1, 2019, gained goodwill of NT\$4,585, which was mainly due to the benefits expected from the production and sales of server cooling products in Taiwan.

The company conducts impairment assessment on the recoverable amount of goodwill on the end of the annual financial reporting period, and conducts impairment tests when specific events or environmental changes indicate that goodwill may be impaired. When the combined company tests whether the goodwill is impaired, it uses the value in use as the basis for calculating the recoverable amount. The value in use calculation is based on cash flow forecasted by the company's financial forecasts for the next 5 years.

XVIII. Other Intangible Assets

	Computer software cost	Fair value of franchises and customer relationships	Total
Cost			
Balance as of Jan. 1, 2019	\$ 45,758	\$ -	\$ 45,758
Separate acquisition	5,358	-	5,358
Reclassification	431	-	431
Acquired through business combinations	-	26,811	26,811
Disposal	(3,924)	-	(3,924)
Net exchange differences	(1,378)	-	(1,378)
Balance as of Dec. 31, 2019	<u>\$ 46,245</u>	<u>\$ 26,811</u>	<u>\$ 73,056</u>
Accumulated amortization and impairment			
Balance as of Jan. 1, 2019	(\$ 23,124)	\$ -	(\$ 23,124)
Amortization	(5,514)	(5,288)	(10,802)
Disposal	2,298	-	2,298

Net exchange differences	776	-	776
Balance as of Dec. 31, 2019	(\$ 25,564)	(\$ 5,288)	(\$ 30,852)
Net balance as of Dec. 31, 2019	\$ 20,681	\$ 21,523	\$ 42,204
Cost			
Balance as of Jan. 1, 2018	\$ 40,441	\$ -	\$ 40,441
Separate acquisition	5,976	-	5,976
Net exchange differences	(659)	-	(659)
Balance as of Dec. 31, 2018	<u>\$ 45,758</u>	<u>\$ -</u>	<u>\$ 45,758</u>
Accumulated amortization and impairment			
Balance as of Jan. 1, 2018	(\$ 17,876)	\$ -	(\$ 17,876)
Amortization	(5,632)	-	(5,632)
Net exchange differences	384	-	384
Balance as of Dec. 31, 2018	<u>(\$ 23,124)</u>	<u>\$ -</u>	<u>(\$ 23,124)</u>
Net balance as of Dec. 31, 2018	<u>\$ 22,634</u>	<u>\$ -</u>	<u>\$ 22,634</u>

Amortized expenses were calculated on a straight-line basis over estimated useful lives listed as follows:

Computer software	3 to 10 years
Fair value of franchises and customer relationships	5 years

XIX. Prepaid lease payment

	Dec. 31, 2018
Current	\$ 2,251
Noncurrent	88,214
	<u>\$ 90,465</u>

As of Dec. 31, 2018, out of all prepaid lease payments, the land use right of lands located in China was NT\$90,465 thousand. The combined company has obtained all the land use right certificates.

XX. Other Assets

	Dec. 31, 2019	Dec. 31, 2018
Current		
Prepayments		
Prepayments for goods	\$ 37,356	\$ 6,022
Prepaid lease payment - current	-	2,251
Other prepayments	47,712	95,650
	<u>\$ 85,068</u>	<u>\$ 103,923</u>
Other current assets		
Temporary payment	\$ 154	\$ -
Payments for Other	1,893	3,147

	<u>\$ 2,047</u>	<u>\$ 3,147</u>
Noncurrent		
Prepayments for equipment	\$ 41,228	\$ 194,248
Refundable deposit	7,032	2,977
Prepaid lease payment - non-current	-	88,214
	<u>\$ 48,260</u>	<u>\$ 285,439</u>

XXI. Loans

(I) Short-term loans

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Unsecured loans		
Bank loans	<u>\$ 965,312</u>	<u>\$ 1,009,466</u>

The interest rates of the bank's revolving loans were 1.2% to 5.22% and 3.16% to 5.5% on Dec. 31, 2018 and 2019, respectively.

(II) Long-term loans

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Secured loans (Note 37)		
Bank loans (1)	\$ 350,000	\$ -
Less: Portion due within one year	-	-
Long-term loans	<u>\$ 350,000</u>	<u>\$ -</u>

- The bank loans were secured by pledging the company's owned land as collateral (Note 37). The maturity date of the loan is May 31, 2022. As of Dec. 31, 2019 the effective annual interest rate is 1.47%. The combined company obtained a new bank loan of NT\$350,000 thousand from Jan. 1 to Dec. 31, 2019. The purpose of this loan is mainly used to purchase land.

XXII. Corporate Bonds Payable

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
unsecured convertible bonds	\$ 595,000	\$ 600,000
Less: Discount on corporate bonds payable	(<u>14,399</u>)	(<u>23,522</u>)
	<u>\$ 580,601</u>	<u>\$ 576,478</u>

Unsecured convertible bonds

The company issued 6 thousand units of unsecured convertible bonds in New Taiwan Dollars in Taiwan on Jul. 30, 2018 with a nominal amount of NT\$100 thousand per unit and an interest rate of 0%, issued at a premium of 100.5% of the par value, or NT\$600,000 thousand; the total amount received is NT\$603,000 thousand.

- Holder of each unit of corporate bonds per unit have the right to convert to ordinary shares of the company at NT\$220 per share, and the conversion period is from Oct. 31, 2018 to Jul. 30, 2021.
- Where the abovementioned corporate bonds are not converted during the conversion period, the outstanding corporate bonds will redeemed in cash at par value on Jul. 30, 2021.

(III) At the end of two years from the issuance date (Jul 30, 2020), bondholders have the right to sell the bonds back to the company at par value.

These convertible bonds include assets, liabilities and equity components; the equity component is recorded in capital surplus-stock options under equity. The equity component is initially recognized at the effective interest rate of 1.55%.

Issuance price (net of transaction costs of NT\$5,383 thousand)	\$ 598,455
Equity component (less the equity transaction cost of NT\$242 thousand)	(<u>25,738</u>)
Liability component (less the liability transaction cost of NT\$5,625 thousand)	572,717
Interest calculated at the effective interest rate of 1.55%	<u>3,761</u>
Liability component as of December 31, 2018	<u>\$ 576,478</u>

Liability component as of Jan. 1, 2019	\$ 576,478
Interest calculated at the effective interest rate of 1.55%	8,944
Corporate bonds converted into ordinary shares	(<u>4,821</u>)
Liability component as of Dec. 31, 2019	<u>\$ 580,601</u>

As of December 31, 2019, corporate bonds with a nominal amount of NT\$5,000 have been converted into 23,000 ordinary shares of the company.

XXIII. Notes payable and accounts payable

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Notes payable		
Arising from operations	<u>\$ 183,304</u>	<u>\$ 300,787</u>
Accounts payable		
Arising from operations	<u>\$1,466,225</u>	<u>\$1,134,173</u>

The average credit period for accounts payable is approximately 120 days, and interest is not added to accounts payable. The Group has established financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

XXIV. Other liabilities

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Current		
Other payables		
Equipment payment and construction payment payable	\$ 10,616	\$ 5,419
Payroll and bonus payable	87,445	76,131
Benefits payable	3,498	1,018

(Continued)

(Continued from previous page)

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Remuneration payable to employees, directors and supervisors	32,246	32,986
Interest payable	4,160	3,789
Commissions payable	822	1,029
Customs and logistics fees payable	25,691	26,396
Others	<u>26,484</u>	<u>53,642</u>
	<u>\$ 190,962</u>	<u>\$ 200,410</u>
Other liability		
Temporary receipt	\$ 7,036	\$ 255
Others	<u>8,109</u>	<u>7,148</u>
	<u>\$ 15,145</u>	<u>\$ 7,403</u>

XXV. Equity

(I) Capital

Ordinary stock

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Authorized shares (in thousands shares)	<u>100,000</u>	<u>100,000</u>
Authorized capital stock	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>47,472</u>	<u>39,541</u>
Issued capital	<u>\$ 474,720</u>	<u>\$ 395,411</u>

The change in the company's equity is due to the conversion of some of the convertible bonds. For details, please refer to Note 22.

On Jun. 17, 2019, shareholders' meeting of the company resolve to convert the surplus of NT\$79,082 thousand into capital, with a denomination amount of NT\$10 per share. The capital increase base date was Aug. 21, 2018, and the paid-in capital after the capital increase is NT\$474,720.

(II) Capital surplus

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
May be used to cover deficiencies, to issue cash or to set aside capital.		
Impact of functional currency changes	(\$ 68,246)	(\$ 68,246)
Stock issuance premium	356,379	356,379
Premium on conversion of convertible bonds	394,236	389,635
Difference between the proceeds received from acquisition or disposal of shares to a subsidiary and its carrying amount	93,995	80,841

Not for any purpose		
Issuance of convertible bonds with		
recognized equity component	<u>25,738</u>	<u>25,738</u>
	<u>\$ 802,102</u>	<u>\$ 784,347</u>

Such capital surplus may be used to cover deficiencies or, in the absence of deficiencies, to pay out cash or to set aside capital, subject to a ratio of paid-up capital each year.

(III) Retained earnings and dividend policy

According to the company's articles of association, the laws and regulations of the Cayman Islands and listing regulations, in the case of a surplus in the company's annual final accounts, such surplus shall be first subject to taxation, reimbursement of accumulated deficit, followed by a provision for special reserve, if any. Unless the board of directors resolves to keep the remainder as retained earnings, any remainder may be distributed as stock dividend and cash dividend for the shareholders based on their shareholding ratios. Such distribution shall be proposed by the board of directors and submitted to the shareholders' meeting for resolution.

The company's dividend policy considers factors such as the company's stable growth, sustainable operation, capital requirements, sound financial structure, and maintenance of shareholders' equity. The total shareholder dividend shall be not less than 10% of the distributable surplus and may be distributed in stock or in cash, of which cash dividends shall account for no less than 50% of the total dividend distributed. If the company has incurred no loss, it may allocate all or part of the legal capital reserve and capital surplus in accordance with the laws or regulations of the competent authority in consideration of the company's financial, business and operating factors.

For distribution of dividends or bonuses in accordance with the preceding article, the company may, in accordance with the listing regulations, by resolution of the shareholders' meeting, issue all or a portion of the dividends and bonuses by issuing new shares; amounts less than one share may be distributed in cash.

For the valuation basis and actual distribution of the remuneration of employees and directors and supervisors, please refer to Note 27 (6) for remuneration of employees and directors and supervisors.

The company appropriates and reverses special reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)".

The company held shareholders' meetings on Jun. 17, 2019 and Jun. 11, 2018. The distribution of earnings for 2018 and 2017 was resolved as follows:

	<u>2018</u>	<u>2017</u>
Special reserve	<u>\$ -</u>	<u>(\$ 15,425)</u>
Cash dividend	<u>\$ 98,853</u>	<u>\$ 98,853</u>

Stock dividend	<u>\$ 79,082</u>	<u>\$ -</u>
Cash dividend capital bonus for each share (NT\$)	\$ 2.5	\$ 2.5
Stock dividend capital bonus for each share (NT\$)	\$ 2	\$ -

The company's proposal for distribution of earnings and dividend per share for 2019 was proposed by the board of directors on Mar. 25, 2019:

	<u>2019</u>
Special reserve	<u>\$ 54,849</u>
Cash dividend	<u>\$118,680</u>
Cash dividend capital bonus for each share (NT\$)	<u>\$ 2.5</u>

The distribution of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 15, 2020.

(IV) Special reserve

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 13,500	\$ 28,925
Reversal of special reserve		
Reversal on deduction of other equity items	<u>-</u>	(<u>15,425</u>)
Balance at the end of the year	<u>\$ 13,500</u>	<u>\$ 13,500</u>

(V) Non-controlling interests

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 16,481	\$ 144,700
Net profit for the period	2,892	22,929
Other comprehensive income for the year		
Exchange differences on translation of foreign financial statements	210	(2,743)
Acquisition of non-controlling interests in Lemtech Precision Material (Note 32)	-	(148,405)
Acquisition of non-controlling interests in subsidiaries Emtron Company (Note 33)	(<u>2,411</u>)	<u>-</u>
Balance at the end of the year	<u>\$ 17,172</u>	<u>\$ 16,481</u>

XXVI. Revenue

	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers		
Revenue from sales of goods	<u>\$ 5,042,657</u>	<u>\$ 6,043,090</u>

(I) Revenue from the sale of goods

Revenue from sales of goods derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the

combined company recognizes the revenue and accounts receivable at that point.

(II) Contract Balance

	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018
Notes receivable	\$ 4,684	\$ 5,379	\$ 25,076
Accounts receivable	<u>2,076,706</u>	<u>2,220,152</u>	<u>1,811,281</u>
	<u>\$ 2,081,390</u>	<u>\$ 2,225,531</u>	<u>\$ 1,836,357</u>
Contract liabilities -			
Current	<u>\$ 79,408</u>	<u>\$ 66,510</u>	<u>\$ 45,644</u>

(III) Disaggregation of Revenue from Customer Contracts

For details of the disaggregation of revenue, please refer to Note 43.

XXVII. Continuing Operations Net Profit

(I) Other income

	2019	2018
Interest income		
Bank deposits	\$ 7,165	\$ 10,268
Net lease investment	<u>737</u>	<u>-</u>
	<u>7,902</u>	<u>10,268</u>
Subsidy income	6,365	13,500
Others	<u>765</u>	<u>2,531</u>
	<u>\$ 15,032</u>	<u>\$ 26,299</u>

(II) Other gains and losses

	2019	2018
Financial assets and financial liabilities		
Financial liability at fair value through profit or loss	(\$ 2,489)	(\$ 1,990)
Gains on disposal of affiliates	2,163	-
Foreign exchange loss - net	(3,032)	(49,300)
Gain (loss) from disposal of property, plant, and equipment	592	(527)
Others	(<u>10,693</u>)	(<u>7,268</u>)
	(<u>\$ 13,459</u>)	(<u>\$ 59,085</u>)

(III) Financing costs

	2019	2018
Interest on bank loans	(\$ 43,747)	(\$ 41,881)
Interest on convertible bonds	(8,944)	(3,761)
Interest on lease liabilities	(<u>6,228</u>)	(<u>-</u>)
	(<u>\$ 58,919</u>)	(<u>\$ 45,642</u>)

(IV) Depreciation and amortization

	2019	2018
Depreciation expenses summarized by function		
Operating costs	\$ 173,869	\$ 96,875
Operating expenses	<u>72,526</u>	<u>69,818</u>

	<u>\$ 246,395</u>	<u>\$ 166,693</u>
Amortized cost summarized by function		
Operating costs	\$ 201	\$ 111
Operating expenses	<u>10,601</u>	<u>5,521</u>
	<u>\$ 10,802</u>	<u>\$ 5,632</u>
(V) Employee benefits		
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 568,756	\$ 610,857
Benefits after retirement		
Defined contribution plans	<u>21,473</u>	<u>24,157</u>
Total employee benefit expenses	<u>\$ 590,229</u>	<u>\$ 635,014</u>
Summarized by functions		
Operating costs	\$ 271,367	\$ 320,597
Operating expenses	<u>318,862</u>	<u>314,417</u>
	<u>\$ 590,229</u>	<u>\$ 635,014</u>
(VI) Remuneration for employees, directors and supervisors		
Based on the company's article of association, more than 0.5% and less than 2 % of the current year's pre-tax profit shall be allocated as remuneration for employees, directors and supervisors. Remunerations for employees, directors and supervisors for 2019 and 2018 were resolved by the board of directors on Mar. 25, 2020 and Mar. 27, 2019, respectively.		
Estimated ratio		
	<u>2019</u>	<u>2018</u>
Remunerations for employees	1%	0.5%
Remuneration for directors and supervisors	1%	1%
Amount		
	<u>2019</u>	<u>2018</u>
	<u>Cash</u>	<u>Cash</u>
Employee Bonus	\$ 2,648	\$ 1,946
Remuneration for directors and supervisors	2,648	3,892
If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial reports of the following year.		
Remunerations for employees, directors and supervisors for 2017 and 2018 were resolved by the board of directors on Mar. 27, 2019 and Mar. 22, 2018, respectively.		
	<u>2018</u>	<u>2017</u>
	<u>Cash</u>	<u>Cash</u>
Remunerations for employees	\$ 1,946	\$ 1,510

Remuneration for directors and supervisors	3,892	1,922
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The company convened the board of directors on May 24, 2018 and adjusted remuneration distribution ratio. Thus actual distribution amount of remuneration for employee, directors and supervisors was different from the recognized amount in the annual consolidated financial report. The difference was adjusted to the gain and loss for 2018.

	2017	
	Remuneration for employees	Remuneration for directors and supervisors
Amounts approved by resolution of the board	\$ <u>1,510</u>	\$ <u>824</u>
Amount recognized in the annual financial statements	\$ <u>1,510</u>	\$ <u>1,922</u>

There is no difference between the actual distribution amount of remuneration for employees, directors and supervisors in 2018 and the amount recognized in the 2018 consolidated financial report.

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on the company's remuneration for employee and for Directors and Supervisors by resolution of the board in 2019 and 2018.

(VII) Gains (losses) on currency exchange

	2019	2018
Total currency exchange gains	\$ 94,020	\$ 139,532
Total currency exchange losses	(<u>97,052</u>)	(<u>188,832</u>)
Net (loss) gain	(<u>\$ 3,032</u>)	(<u>\$ 49,300</u>)

XXVIII. Income tax of continuing operations

(I) Main composition of income tax expenses recognized in gain or loss

	2019	2018
Current tax		
Generated in the current year	\$ 62,235	\$ 51,694
Additional tax on undistributed earnings	1,096	-
Adjustments from the previous years	(<u>10,591</u>)	(<u>4,451</u>)
	<u>52,740</u>	<u>47,243</u>

(Continued)

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	2019	2018
Deferred income tax		
Generated in the current year	(418)	42,882
Undistributed earnings of subsidiaries	22,197	47,729
Changes in tax rates	<u>-</u>	(<u>1,093</u>)
	<u>21,779</u>	<u>89,518</u>
Income tax expenses recognized in gain or loss	<u>\$ 74,519</u>	<u>\$136,761</u>

Adjustments for accounting income and income tax expenses are as follows:

	2019	2018
Net income before taxes from continuing operations	<u>\$336,858</u>	<u>\$542,164</u>
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	\$ 63,074	\$ 92,676
Non-deductible expenses	566	416
Effects on the deferred income tax of subsidiaries' earnings	22,197	47,729
Additional tax on undistributed earnings	1,096	-
Unrecognized deductible temporary difference	(3,423)	650
Tax rate variation	-	(1,093)
Others	1,600	834
Adjustments on income tax of prior periods	(<u>10,591</u>)	(<u>4,451</u>)
Income tax expenses recognized in gain or loss	<u>\$ 74,519</u>	<u>\$136,761</u>

The tax rate applicable to Long Dachang Company, a subsidiary of the combined company, is 20%; the Chinese subsidiary of the combined company, Liande Fine Materials Co., Ltd., obtained the local government's high-tech enterprise certificate on November 30, 2016, and enjoys a 15% preferential tax rates between 2016 and 2019.

(II) Income tax assets and liabilities

	Dec. 31, 2019	Dec. 31, 2018
Current income tax assets		
Tax Refund Receivable	<u>\$ 13</u>	<u>\$ 31</u>
Current income tax liabilities		
Income Tax Payable	<u>\$ 26,001</u>	<u>\$ 13,318</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2019

Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
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Deferred income tax assets					
Temporary differences					
Allowance for inventory valuation loss	\$ 4,595	\$ 3,019	\$ -	(\$ 244)	\$ 7,370
Allowance for doubtful accounts	4,098	436	-	(162)	4,372
Recognition of foreign investment gains and losses by equity method	8,784	(8,679)	-	(105)	-
Unrealized gains and losses	-	545	-	-	545
Deductible loss	869	311	-	-	1,180
Others	<u>2,501</u>	<u>14</u>	<u>-</u>	<u>(610)</u>	<u>1,905</u>
Subtotal of deferred income tax assets	<u>\$ 20,847</u>	<u>(\$ 4,354)</u>	<u>\$ -</u>	<u>(\$ 1,121)</u>	<u>\$ 15,372</u>

(Continued)

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	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of investment gains and losses by foreign equity method	\$ 87,125	(\$ 5,190)	\$ 1,933	(\$ 3,169)	\$ 80,699
Unrealized gain or loss	454	(454)	-	-	-
Allowance for doubtful accounts	12	-	-	-	12
Others	<u>120,569</u>	<u>23,069</u>	<u>-</u>	<u>(4,216)</u>	<u>139,422</u>
Subtotal of deferred income tax liabilities	<u>\$ 208,160</u>	<u>\$ 17,425</u>	<u>\$ 1,933</u>	<u>(\$ 7,385)</u>	<u>\$ 220,133</u>

2018

	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for inventory valuation loss	\$ 3,903	\$ 784	\$ -	(\$ 92)	\$ 4,595
Allowance for doubtful accounts	2,491	1,690	-	(83)	4,098
Recognition of investment gains and losses by foreign equity method	3,026	5,934	-	(176)	8,784
Unrealized gain or loss	1,201	(1,201)	-	-	-
Deductible loss	4,089	(3,220)	-	-	869
Others	<u>2,486</u>	<u>67</u>	<u>-</u>	<u>(52)</u>	<u>2,501</u>
Subtotal of deferred income tax assets	<u>\$ 17,196</u>	<u>\$ 4,054</u>	<u>\$ -</u>	<u>(\$ 403)</u>	<u>\$ 20,847</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of foreign investment gains and losses by equity method	\$ 104,376	(\$ 17,507)	\$ 434	(\$ 178)	\$ 87,125
Unrealized gains and losses	-	454	-	-	454
Allowance for doubtful accounts	-	12	-	-	12
Others	<u>7,065</u>	<u>110,613</u>	<u>-</u>	<u>2,891</u>	<u>120,569</u>
Subtotal for deferred income tax liabilities	<u>\$ 111,441</u>	<u>\$ 93,572</u>	<u>\$ 434</u>	<u>\$ 2,713</u>	<u>\$ 208,160</u>

(IV) Income tax approval status

For business income tax returns of LDC Company, part of the combined company, the filed cases before the year 2017 have been approved by the tax collection authority.

XXIX. Earnings per share

	Unit: NT\$ per share	
	2019	2018
Basic earnings per share		
Total basic earnings per share	<u>\$ 5.47</u>	<u>\$ 8.06</u>
Diluted earnings per share		
Total diluted earnings per share	<u>\$ 5.35</u>	<u>\$ 7.91</u>

When calculating earnings per share, the impact of the issuance of bonus shares has been retroactively adjusted, the base day of which was August 21, 2019. Due to the retroactive adjustment, changes in the basic and diluted earnings per share in 2018 are as follows:

	Unit: NT\$ per share	
	Before retrospective adjustment	After retrospective adjustment
Basic earnings per share	<u>\$ 9.67</u>	<u>\$ 8.06</u>
Diluted earnings per share	<u>\$ 9.49</u>	<u>\$ 7.91</u>

For the calculation of earnings per share and the weighted average number of ordinary shares are as follows:

Net profit for the period

	2019	2018
Net profit attributable to owners of the Company	<u>\$ 259,447</u>	<u>\$ 382,474</u>
Net profit used in calculating basic earnings per share	\$ 259,447	\$ 382,474
Impact on ordinary shares with dilutive effect:		
after-tax interest on convertible bonds	<u>8,944</u>	<u>3,761</u>
Net profit used in calculating diluted earnings per share	<u>\$ 268,391</u>	<u>\$ 386,235</u>

Number of shares

	Unit: Thousand shares	
	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	47,467	47,449
Impact on ordinary shares with dilutive effect:		
Convertible bonds	2,705	1,390
Employee remuneration	<u>24</u>	<u>15</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>50,196</u>	<u>48,854</u>

If the combined company chooses to offer employees remuneration by way of shares or cash, then while calculating the diluted earnings per share, assuming that the remuneration is paid in the form of stocks, the potential ordinary shares with dilutive effect will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of such potential ordinary stocks shall continue to be considered when calculating the diluted earnings per share before resolving the number of stocks to be distributed as employee compensation in the following year.

XXX. government subsidies

The combined company obtained subsidies for patents of NT\$6,365 thousand and NT\$13,500 thousand from the Kunshan Municipal People's Government in 2019 and 2018. In 2019 and 2018, the amounts were recognized in other income at NT\$6,365 thousand and NT\$13,500 thousand.

XXXI. Business Combination

(I) Acquisition of subsidiaries

<u>Main operating activities</u>	<u>Date of</u>	<u>Ownership interest</u>	<u>Transfer</u>
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		Acquisition	with voting power/ Acquisition percentage (%)	consideration
Emtron Company	Surface treatment of mechanical, electronic and automotive components	Jan. 22, 2019	83.33%	<u>\$ 111,966</u>
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	Jul. 1, 2019	100%	<u>\$ 30,000</u>

The combined company's acquisition of Lianchuang Company and Liande Kinetic Company in 2019 respectively in order to continuously expand the combined company's stable operation of the production and supply chain of automotive parts in China and server cooling products manufacturing and sales operations in Taiwan.

(II) Transfer consideration

	Lemtech Energy Solutions Corporation	Emtron Company
Cash	\$ 15,000	\$111,966
Investment accounted for using equity method	<u>15,000</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$111,966</u>

(III) Assets acquired and liabilities assumed on acquisition date

	Lemtech Energy Solutions Corporation	Emtron Company
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,710	\$ 1,722
Accounts receivable and other receivables	11,096	13,619
Prepayments	458	895
Inventory	9,377	1,630
Prepaid expenses	-	1,983
NON-CURRENT ASSETS		
Property, plant, and equipment	4,138	41,456
Intangible assets	-	26,811
Long-term unamortized expenditures	-	2,405
Right-of-use assets	508	68,577
Other non-current assets	1,213	-

CURRENT LIABILITIES

Accounts payable and other payables	(\$ 5,505)	(\$ 38,946)
Lease liabilities	(510)	(6,338)
Other current liabilities	(33)	-

NON-CURRENT LIABILITIES

Long-term loans	-	(66,036)
Lease liabilities	-	(62,239)
Other non-current liabilities	(37)	-
	<u>\$ 25,415</u>	<u>(\$ 14,461)</u>

(IV) Non-Controlling Interests

Emtron Company's non-controlling interest (16.67% of ownership interest) is measured in accordance with the identifiable assets entitled for the share of non-controlling interest on the acquisition date.

(V) Goodwill arising from the acquisition

	Lemtech Energy Solutions Corporation	Emtron Company
Transfer consideration	\$ 15,000	\$ 111,966
Investment accounted for using equity method	15,000	-
Plus: Fair value of identifiable net assets acquired	-	14,461
Minus: Fair value of identifiable net assets acquired	(25,415)	-
Long-term liabilities paid for others	-	(45,861)
Obtained negative value of non-controlling interests (16.77% ownership interest in Emtron Company)	-	(2,411)
Goodwill arising on acquisition	<u>\$ 4,585</u>	<u>\$ 78,155</u>

The goodwill arising from the acquisition of Lemtech Energy Solutions Corporation and Emtron Company mainly comes from controlling the premium. In addition, the consideration paid for the business combination includes the expected overall effect of the business combination, profit growth, future market development, and value of employee of Lemtech Energy Solutions Corporation and Emtron Company. However, such benefits do not meet the recognition criteria for an intangible asset, thus they are not separately recognized. Goodwill arising from the business combination is not expected to be a tax deduction item.

(VI) Net cash inflow from acquisition of subsidiary

	Lemtech Energy Solutions Corporation	Emtron Company
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Consideration paid in cash	\$ 15,000	\$111,966
Less: Cash and cash equivalents acquired	(<u>4,710</u>)	(<u>1,722</u>)
	<u>\$ 10,290</u>	<u>\$110,244</u>

XXXII. Equity transactions with non-controlling interests

In September 2018, the combined company and Global Solution obtained the remaining 0.2% and 9.8% equity from the external shareholders other than Lemtech Precision Material, and the prices were NT\$1,412 thousand and NT\$77,244 thousand, respectively. After the purchase of equity, the entire combined company's shareholding ratio increased from 90% to 100%, held by Lemtech Holdings Co., Limited and Global Solution respectively at 0.2% and 99.8%. the combined company over the subsidiaries, the combined company will treat such transactions as equity transactions. The adjustment for the difference arising from the equity transaction increased the capital reserve by NTD 79,798 thousand.

As the above-mentioned transactions did not change the control over such subsidiaries, the Company treated the transactions as equity transactions.

	Subsidiary Lemtech Precision Material
	<u>2018</u>
Cash consideration paid	(\$ 78,656)
The amount of non-controlling interest that shall be transferred in accordance with the changes in equity out of the carrying amount of net assets of the subsidiaries	148,405
Adjustment of other equity items attributable to owners of the company	
— Exchange differences on translation of foreign financial statements	<u>10,049</u>
Difference in equity transactions	<u>\$ 79,798</u>
	Liande Precision Materials Subsidiary
	<u>2018</u>
Equity transaction balance adjustment	
Capital reserve - Difference in the share price and nominal value of the acquired or disposed shares of subsidiaries	<u>\$ 79,798</u>

XXXIII. Cash flow information

(I) Non-cash transactions

In 2019 and 2018, the combine company conducted the following investments and financing activities in non-cash transactions:

The adjustment of cash payments for the purchase of real property, plant and equipment is as follows:

<u>2019</u>	<u>2018</u>
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Added this year (including prepayment for equipment)	\$ 602,856	\$ 366,468
Reclassification of molds on inventory	-	7,216
Changes in equipment payments and construction payments payable	(5,197)	2,751
Cash amount paid for procurement of property, plants and equipment	<u>\$ 597,659</u>	<u>\$ 376,435</u>

(II) Changes in liabilities from financing activities
2019

	Jan. 1, 2019	Cash flow	Changes in non-cash flow		Dec. 31, 2019
			New lease	Others	
Short-term borrowing	\$ 1,009,466	(\$ 44,154)	\$ -	\$ -	\$ 965,312
Lease liabilities (Note 3)	124,803	(50,458)	41,610	52,188	168,143
	<u>\$ 1,134,269</u>	<u>(\$ 94,162)</u>	<u>\$ 41,610</u>	<u>\$ 52,188</u>	<u>\$ 1,133,455</u>

2018

	Jan. 1, 2018	Cash flow	Non-cash flow		Dec. 31, 2018
			New lease	Others	
Short-term loans	<u>\$ 1,535,622</u>	<u>(\$ 526,156)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009,466</u>

XXXIV. Capital risk management

The combined company manages its capital based on the policy to ensure the continual operations of the entities in the combined company. By optimizing its debts and liabilities, the combined company can maximize return for stakeholders.

The combined company's capital structure consists of net debts (i.e. loans and corporate bonds less cash and cash equivalents) and equities (i.e. equity, capital reserve, retained earnings, and other equity).

The combined company is not subject to any other external capital requirements. The combined company's management periodically reassesses the combined company's capital structure; the inspection items include capital costs of various categories and related risks. The combined Company will distribute dividend, issue new stocks and new debts, repurchase shares, or repay old debts among other methods to balance its overall capital structure (in accordance with the recommendations of its management).

XXXV. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

The combined company's financial assets and financial liabilities whose carrying amounts are not measured at fair value are close to their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

Dec. 31, 2019

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss (FVTPL)				
Corporate bonds payable redemption rights	\$ -	\$ -	\$ 3,392	\$ 3,392

Dec. 31, 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss (FVTPL)				
Paying corporate bonds	\$ -	\$ -	\$ 910	\$ 910

In 2019, no transfers between Level 1 and 2 fair value measurement occurred.

2. Reconciliation of financial instruments at Level 3 fair value measurement
2019

	Derivatives instruments
Financial liabilities at fair value through profit or loss (FVTPL)	
Opening balance	(\$ 910)
Recognized in gain or loss (other gains and losses)	(2,489)
Disposal/settlement	7
Balance at the end of the year	(\$ 3,392)
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gains or losses.	(\$ 2,489)

2018

	Derivatives instruments
Financial liabilities at fair value through profit or loss (FVTPL)	
Opening balance	\$ -
Recognized in gain or loss (other gains and losses)	(1,990)
Addition	1,080
Balance at the end of the year	(\$ 910)
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gain or loss	(\$ 1,990)

3. The Valuation Technique and Input Value of the Fair Value Measurement of Level 3

The redemption right of corporate bonds payable assumes that the corporate bonds will be redeemed on Jul. 30, 2021. The discount rate adopted is based on government bonds with a similar issue date and duration plus credit risk premium.

(III) Classification of financial instruments

Dec. 31, 2019 Dec. 31, 2018

Financial assets		
Financial assets measured at amortized cost (Note 1)	\$ 3,146,641	\$ 2,800,470
Financial liabilities		
Measured at fair value through gain or loss		
Designation as at fair value through profit or loss	3,392	910
Valuation of cost after amortization (Note 2)	3,743,292	3,221,314

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

Note 2: The balances include financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables, long-term loans, corporate bonds payable, and guarantee deposits.

(IV) Objectives and policies of financial risk management

The main financial instruments of the combined company include cash and cash equivalent, accounts receivable, accounts payable, corporate bonds payable and loans. The financial management department of the combined company provides services to the business units, including coordinating operations in the domestic and international financial markets, and managing financial risks relating to the operations of the combined company based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk. The board of directors manages the overall risk, and its purpose is to minimize the potential adverse impact on the company's financial performance as much as possible.

1. Market risks

The combined company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

The management and measurement of market risks of financial instruments and risk exposure of the combined company remain unchanged.

(1) Foreign currency exchange risk

The combined company mainly operates in China and Taiwan and is exposed to foreign exchange risks arising from various currency risks. The combined company monitors changes in foreign currency exchange rates to ensure that its risks are minimized.

For the carrying amounts of the combined company's monetary assets and monetary liabilities denominated in non-functional

currency on the consolidated balance sheet date (including monetary items that are written off in the consolidated financial statements), please refer to Note 41.

Sensitivity analysis

The combined company is mainly impacted by the exchange rate fluctuations in USD.

The following table includes the sensitivity analysis of the combined company's financial position under circumstances that the exchange rate of a foreign currency to NTD (the function currency) increases or decreases by 1%. The hypothetical increase of 100 basis point (1%) in exchange rates is used in the Management's internal sensitivity analysis report on currency exchange risks; it also reflects the reasonable range of change in exchange rates the management believes would be. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. The amount in the attachment below indicates that when the NTD appreciates by 1% against the relevant foreign currency, the impact on net profit before tax will be increased. When NTD depreciates by 1% against the relevant foreign currency, the net profit before tax effects will be the same negative amount.

	Impact of USD	
	2019	2018
Increase in net profit before tax	\$ <u>1,387</u>	\$ <u>4,532</u>

The impact on pre-tax net profit is mainly due to the outstanding accounts receivable and accounts payable denominated in U.S. dollar and for which cash flow hedge has not been adopted on the combined company's balance sheet date.

(2) Interest rate risk

Significant interest-bearing assets and liabilities of the combined company are regularly renegotiated. The combined company's cash flow is exposed to interest rate risk for holding floating rate term bank deposits and loans.

The carrying value of financial assets and liabilities exposed to interest rate risk of the combined company on the balance sheet date are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Interest rate risks with cash flow		
— Financial assets	\$ 1,020,429	\$ 553,494
— Financial liabilities	1,895,913	1,585,944

Sensitivity analysis

The main interest rate risk of the combined company is bank deposits, financial assets and loans measured at amortized cost.

Sensitivity analysis of circumstances when interest rates increase/decrease by 0.5% is used as to report changes in exchange rate risk to internal management.

Sensitivity analysis refers to the interest-bearing items held by the combined company and affected by interest rate fluctuations of 0.5% at the end of the period. The positive numbers in the following summary table indicate that when the benchmark interest rate rises by 0.5%, in the case where other conditions remain unchanged, how much the net profit before tax for the current period will increase.

	Impact of rising interest rates	
	2019	2018
Increase in net profit before tax	(<u>\$ 4,377</u>)	(<u>\$ 5,162</u>)

2. Credit risk

Credit risks refer to risks that cause financial loss of the combined company due to the counterparty's delay in performing contractual obligations. Due to the nature of the industry in which it operates, the combined company has no significant concentration of credit risk. The combined company has formulated a policy that when assessing the credit line granted to customers, it must obtain appropriate financial information from customers to conduct credit ratings of customers to ensure that sales services do not generate significant credit risk.

The maximum amount of credit risk of the combined company is the net amount of the carrying amount of financial assets after deducting the amounts that can be offset according to regulations and the impairment losses recognized in accordance with regulations without considering collateral and other credit enhancement policies. The main objects of the accounts receivable and other receivables of the combined company are foreign-funded enterprises established in China and internationally renowned manufacturers. The credit risk management and impairment status are detailed in Note 10.

The bank deposits of the combined company and other investment in financial assets are mainly deposited in banks with good credit ratings assigned by international credit rating agencies, so this credit risk is not significant.

3. Liquidity risk

The combined company supports its business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The combined company's management supervises bank financing conditions and ensures compliance with loan contracts.

The bank loans are a significant source of liquidity for the combined company. Please refer to (2) Financing limit below for the unfunded financing amount of the combined company as of Dec. 31, 2018 and 2019.

(1) Liquidity and interest rate risk of non-derivative financial liabilities

Dec. 31, 2019

	Within 1 year	1 to 5 years	More than 5 years
Floating Rate Instruments-Borrowing	\$ 965,312	\$ 350,000	\$ -
Lease liabilities	47,803	104,827	15,513
Fixed rate instruments-corporate bonds	-	595,000	-
	<u>\$1,013,115</u>	<u>\$1,049,827</u>	<u>\$ 15,513</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Within 1 year	1 - 5 years	More than 5 years
Lease liabilities	<u>\$ 55,398</u>	<u>\$ 116,673</u>	<u>\$ 16,002</u>

Dec. 31, 2018

	Within 1 year	1 to 5 years	More than 5 years
Floating Rate Instruments-Borrowing	\$ 1,009,466	\$ -	\$ -
Fixed rate instruments-corporate bonds	-	600,000	-
	<u>\$1,009,466</u>	<u>\$ 600,000</u>	<u>\$ -</u>

(2) Credit limit

	Dec. 31, 2019	Dec. 31, 2018
Unsecured bank loan limit		
— Amount used	\$ 965,312	\$ 1,009,466
— Amount unused	<u>2,396,901</u>	<u>2,787,465</u>
	<u>\$ 3,362,213</u>	<u>\$ 3,796,931</u>
Secured bank credit limit		
— Amount used	<u>\$ 350,000</u>	<u>\$ -</u>

(V) Information on transfers of financial assets

Relevant information of the company's sale of accounts receivable is as follows:

2019: None.

2018

Counterparty	Factoring amount for the current period	Received amount for the current period	Amount drawn in advance as end of the current period	Annual interest rate of advance amounts (%)	Credit Limit
Cathay United Bank	<u>\$ 985,468</u>	<u>\$ 855,332</u>	<u>\$ 704,179</u>	3.23%~4.1%	<u>\$ 1,842,900</u> (USD 60,000)

XXXVI. Related party transactions

All transactions, account balances, income and expenses between the company and its subsidiaries (related parties of the company) are fully offset by intercompany netting and therefore are not shown in this Note. In addition to those disclosed in other Notes, the transactions between the combined company and other related parties are as follows.

(I) The names and relations of related parties

Name of related party	Relationship with the combined company
Aapico Lemtech	Affiliates
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Affiliated companies (held 100% after acquisition on Jul. 1, 2019)

(II) Operating revenue

Accounting item	Category of related parties	2019	2018
Sales	Affiliates	<u>\$ 9,582</u>	<u>\$ 6,788</u>

There are no significant differences between the terms and conditions of sales and collection for related parties and that of general transactions.

(III) Purchase

Category of related parties	2019	2018
Affiliates	<u>\$ 14,500</u>	<u>\$ 5,443</u>

There are no significant differences between the terms and conditions of purchase and payment for related parties and that of general transactions.

(IV) Accounts receivable from related parties (excluding loans extended to related parties and contract assets)

Accounting item	Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable	Affiliates	<u>\$ 667</u>	<u>\$ 235</u>

For related parties for whom outstanding guarantee had not been sought, loss allowance has not been recognized for accounts receivables of related parties on Dec. 31, 2018 and 2019.

(V) Accounts payable - related party (excluding borrowings from related parties)

Accounting item	Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Accounts payable	Affiliates	<u>\$ -</u>	<u>\$ 5,684</u>

(VI) Advance receipts		
Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Affiliates	<u>\$ -</u>	<u>\$ 1,193</u>

(VII) Endorsements and Guarantees

Please attach Schedule II in detail.

(VIII) Remuneration and bonuses of key management personnel		
	2019	2018
Short-term employee benefits	<u>\$ 41,616</u>	<u>\$ 32,329</u>

The remuneration for directors and other key management is determined by the remuneration committee based on personal performance and market trends.

XXXVII. Pledged assets

The following assets have been provided as security for the collateral for financing borrowings:

	Dec. 31, 2019	Dec. 31, 2018
Bank deposits-restricted (accounts for financial assets measured at amortized cost)	\$ 75,081	\$ 3,842
Land	<u>493,598</u>	<u>-</u>
	<u>\$ 568,679</u>	<u>\$ 3,842</u>

XXXVIII. Material contingent liabilities and unrecognized contractual commitments

Except for those disclosed in other Notes, significant commitments and contingencies of the combined company on the balance sheet date are as follows:
Contingent liabilities

The subsidiary of the combined company was served a civil complaint from King Slide Works Co., Ltd. (hereinafter referred to as "King Slide") on Jun. 26, 2018. The complaint was filed with the Higher People's Court of Jiangsu Province on Jun. 19, 2018 by King Slide, suing Lemtech Precision Material and Lemtech Slide Company for the production, manufacture, and sale of rail products without King Slide's license, infringing its patent rights, and request compensation of CNY 100 million, rights maintenance costs of CNY 183,090, and NT\$31,748. The attorney appointed for the case states that since Lemtech Precision Material mainly engages in the research and development, production and sales of precision metal stamping components and toolings with cooling module, automobile modules and components and stamping toolings for other components. For rail products, it only produced stamping components, it is not a manufacturer or dealer of rail product, thus no infringement has occurred in this case. The rail product produced by Lemtech Slide Company are all subject to its relevant patents (some still in the application process), which by the attorney's initial judgment are different from that of King Slide. Furthermore, King Slide failed to produce evidence to proof its claim, thus payment of compensation is unlikely. The case was first trialed in court on Jan. 25, 2019. At

present, the case is still in the process of the first instance trial, and the outcome of the case cannot be predicted.

King Slide filed infringement claims with the Higher People's Court of Jiangsu Province, and issued statement letters to the customers of Lemtech Precision Material, which had a negative impact on the reputation of Lemtech Precision Material. Therefore, the company represented Lemtech Precision Material and filed a claim with the Taiwan Ciaotou District Court on 15 Jan. 2019.

XXXIX. Losses due to major disasters: None

XL. Significant subsequent events

The outbreak of COVID-19 in January 2020 resulted in the temporary suspension of the plant of the subsidiary Lemtech Holdings Co., Limited in Suzhou, Jiangsu Province, China. Since the main plant, customers and main suppliers of the subsidiary Lemtech Holdings Co., Limited are not concentrated in the severely affected area, the impact to its operations is limited.

XLI. Information regarding significant assets and liabilities denominated in foreign currencies

The following summary is presented in foreign currencies other than the functional currency. The exchange rates disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency.

Foreign currency assets and liabilities with significant influence are as follows:

Unit: Foreign currencies and NTD 1,000

Dec. 31, 2019

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 11,683	30.0325 (USD:NTD)	\$ 350,869
USD	18,256	6.9762 (USD:CNY)	548,287
CNY	3,218	4.3050 (CNY:NTD)	13,854
CNY	96,182	0.1433 (CNY:USD)	414,117
JPY	500	0.2760 (JPY :NTD)	138
JPY	72,875	0.0641 (JPY : CNY)	20,114
EUR	500	33.5900 (EUR:TWD)	16,795
EUR	1,161	7.8026 (EUR:CNY)	38,998
		0.5847 (PHP	:
PHP	46,129	TWD)	26,971
			<u>\$1,430,143</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	13,943	30.0325 (USD:NTD)	\$ 418,732
USD	11,377	6.9762 (USD:CNY)	341,680
JPY	30,992	0.0641 (JPY:CNY)	8,554
			<u>\$ 768,966</u>

Dec. 31, 2018

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 11,683	30.0325 (USD:NTD)	\$ 350,869
USD	18,256	6.9762 (USD:CNY)	548,287
CNY	3,218	4.3050 (CNY:NTD)	13,854
CNY	96,182	0.1433 (CNY:USD)	414,117
JPY	500	0.2760 (JPY :NTD)	138
JPY	72,875	0.0641 (JPY:CNY)	20,114
EUR	500	33.5900 (EUR:TWD)	16,795
EUR	1,161	7.8026 (EUR:CNY)	38,998
		0.5847 (PHP : TWD)	
	46,129		26,971
			<u>\$1,430,143</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD			
USD	13,943	30.0325 (USD:NTD)	\$ 418,732
CNY	11,377	6.9762 (CNY:NTD)	341,680
JPY	30,992	0.0641 (JPY:CNY)	8,554
			<u>\$ 768,966</u>

The combined company is mainly exposed to foreign currency exchange rate risks of NTD, CNY, USD, CZK and PHP. The following information is aggregated in terms of the functional currency of the foreign currency held. The exchange rate disclosed is the exchange rate of the functional currency into the presentation currency. Foreign exchange gains and losses with significant influence are as follows:

	2019		2018	
Functional currency	Functional Currency and Presentation Currency	Net exchange gains and losses	Functional Currency and Presentation Currency	Net exchange gains and losses
NTD	1.0000 (NTD:NTD)	\$ 2,389	1.0000 (NTD:NTD)	(\$ 24,868)
CNY	4.3050 (CNY:NTD)	1,145	4.4720 (RMB: New Taiwan Dollar)	(121)
USD	30.0325 (USD:NTD)	(7,030)	30.6922 (USD:NTD)	(24,311)
CZK	1.3249 (CZK:NTD)	992		
PHP	0.5847 (PHP:NTD)	(528)		
		(\$ 3,032)		(\$ 49,300)

XLII. Other disclosures

Information on (I) Significant Transactions and (II) Investees:

1. Financings provided (Attachment 1)
2. Endorsements/guarantees provided to others (Attachment 2)
3. Marketable securities held at the end of year (excluding investments in subsidiaries, affiliates and interest in joint ventures) (None)

4. Accumulated purchase or disposal of individual marketable securities equal to or in excess of NT\$300 million or 20% of paid-in capital (None)
5. Acquisition of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (Attachment 3)
6. Disposal of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (None)
7. Purchases or sales to related parties of at least NT\$100 million or 20% of paid-in capital (Attachment 4)
8. Accounts receivable from related parties equal to or in excess of NT\$100 million or 20% of paid-in capital (Attachment 5)
9. Engage in derivative transactions (Notes 7 and 35)
10. Others: Business relationships, important transactions and the amounts between parent company and subsidiaries (Attachment 6)
11. Information on investees (Attachment 7)

(III) Information on investments in China:

1. Information on any investee company in China; disclose the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in China. (Attachment 8)
2. Significant transactions with investee companies in China, either directly or indirectly through a third region, and their prices, payment terms, and unrealized gains or losses. (Attachment 8)
 - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
 - (2) Sales amount and percentage, and the ending balance and percentage of payments receivables.
 - (3) Property transaction amount and the resulting gain or loss.
 - (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
 - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.

XLIII. Department information

The information is provided to the main decision-maker to allocate resources and assess the performance of each department and focus on each type of product or service delivered or provided. Information on the Group's reporting departments is presented as follows:

Taiwan R&D Department

China manufacturing department

Others

Department revenues and the results of operations

- (I) The income and results of ongoing operations of the combined Company based on the reporting departments are analyzed as follows:

2019

	Taiwan R&D Department	China manufacturing department	Others	Intercompany netting	Total
Revenue from external customers	\$ 303,453	\$ 3,130,947	\$ 1,608,257	\$ -	\$ 5,042,657
Intercompany revenue	113,158	74,382	353	(187,893)	-
Department Revenue	<u>\$ 416,611</u>	<u>\$ 3,205,329</u>	<u>\$ 1,608,610</u>	<u>(\$ 187,893)</u>	<u>5,042,657</u>
Interest income	\$ 310	\$ 3,116	\$ 23,573	(\$ 19,097)	7,902
Other company's income					<u>7,130</u>
					<u>\$ 5,057,689</u>
Finance costs	198	53,559	24,259	(19,097)	\$ 58,919
Depreciation and amortization	7,547	218,373	31,277	-	257,197
are of gains (losses) of affiliates accounted for using equity method	-	23,262	588,282	(611,223)	321
Income tax expenses (benefits)	7,290	43,327	23,902		74,519
Departments gain (loss)	<u>\$ 22,332</u>	<u>\$ 298,962</u>	<u>\$ 552,268</u>	<u>(\$ 611,223)</u>	<u>\$ 262,339</u>
Departments assets	<u>\$ 375,493</u>	<u>\$ 4,182,487</u>	<u>\$ 7,648,851</u>	<u>(\$ 5,980,824)</u>	<u>\$ 6,226,007</u>
Departments liabilities	<u>\$ 162,469</u>	<u>\$ 2,165,195</u>	<u>\$ 2,590,146</u>	<u>(\$ 662,296)</u>	<u>\$ 4,255,514</u>

2018

	Taiwan R&D Department	China manufacturing department	Others	Intercompany netting	Total
Revenue from external customers	\$ 217,550	\$ 3,812,697	\$ 2,012,843	\$ -	\$ 6,043,090
Intercompany revenue	68,037	67,081	302	(135,420)	-
Department Revenue	<u>\$ 285,587</u>	<u>\$ 3,879,778</u>	<u>\$ 2,013,145</u>	<u>(\$ 135,420)</u>	<u>6,043,090</u>
Interest income	\$ 904	\$ 3,995	\$ 29,363	(\$ 23,994)	10,268
Other company's income					<u>16,031</u>
					<u>\$ 6,069,389</u>
Finance costs	-	48,472	21,164	(23,994)	\$ 45,642
Depreciation and amortization	2,617	155,256	8,820	-	166,693
are of gains (losses) of affiliates accounted for using equity method	-	269,645	872,496	(1,127,508)	14,633
Income tax expenses (benefits)	5,675	81,109	49,977	-	136,761
Departments gain (loss)	<u>\$ 24,347</u>	<u>\$ 480,684</u>	<u>\$ 1,027,881</u>	<u>(\$ 1,127,509)</u>	<u>\$ 405,403</u>
Departments assets	<u>\$ 259,714</u>	<u>\$ 4,509,044</u>	<u>\$ 6,516,371</u>	<u>(\$ 5,886,702)</u>	<u>\$ 5,398,427</u>
Departments liabilities	<u>\$ 94,438</u>	<u>\$ 2,736,247</u>	<u>\$ 1,808,738</u>	<u>(\$ 1,115,100)</u>	<u>\$ 3,524,323</u>

Interdepartmental sales are based on market prices.

Departmental benefits refer to the profits earned by each department, including the allocated share of headquarter management costs and directors' remuneration, share of gain or loss of affiliates using the equity method, rental income, interest income, disposal of real estate, plant and equipment gains or losses, disposal of investment gains or losses, net gain (loss) from foreign currency exchange, gains or losses from financial instrument valuations, financial costs and income tax expenses. The assessment is provided to the main decision-maker to allocate resources to departments and assess their performance.

(II) Revenue from major products and services

The analysis of profits from the main products and services of the combined company's continuing business units is as follows:

	2019	2018
Computer, communication and consumer electronics	\$ 2,845,323	\$ 3,871,686
automobile	1,749,079	1,705,041
Construction materials	76,140	76,076
Toolings and others	<u>372,115</u>	<u>390,287</u>

\$ 5,042,657

\$ 6,043,090

(III) Regional information

The combined company mainly operates in two areas - Taiwan and China.

Revenue of the combined company's continuing operations from external customers classified by the location of the business and the non-current assets is listed as follows:

	Revenue from external customers		NON-CURRENT ASSETS	
	2019	2018	Dec. 31, 2019	Dec. 31, 2018
Asia	\$ 4,562,467	\$ 5,689,541	\$ 2,260,969	\$ 1,572,466
America	289,472	164,330	-	-
Europe	190,718	189,219	-	-
	<u>\$ 5,042,657</u>	<u>\$ 6,043,090</u>	<u>\$ 2,260,969</u>	<u>\$ 1,572,466</u>

Non-current assets do not include deferred income tax assets.

(IV) Information of main customer

The annual revenues of 2019 and 2018 are NT\$5,042,657 thousand and NT\$6,043,090 thousand, the revenue from single customers of the company reaching more than 10% of the total revenue of the combined company are as follows:

	2019	2018
Customer F (Note)	\$ 1,132,423	\$ 1,468,721
Customer G (Note)	938,320	1,859,819
	<u>\$ 2,070,743</u>	<u>\$ 3,328,540</u>

Note: This is revenue from electronics categories.

Lemtech Holdings Co., Limited and subsidiaries
Loans extended to others
2019

Attachment 1

Unit: Unless Specified Otherwise
, NTD thousands.

No. (Note 1)	Lending company	Borrower	General ledger account	Related party or not	Maximum Balance for the Period	Ending balance (Note 2)	Actual Expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Allowance for bad debts recognized	Collateral		Limit on loans granted to a single party (Note 3)	Total limit amount of loans (Note 3)	Notes
													Name	Value			
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	Other receivables	Yes	\$ 252,800	\$ -	\$ -	6.00%	Necessity of short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 781,328	\$ 781,328	
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	Other receivables	Yes	252,800	-	-	4.50%	Necessity of short-term financing	-	Operating capital	-	—	-	781,328	781,328	
0	Lemtech Holdings Co., Limited	Zhenjiang Emtron Surface Treatment Limited	Other receivables	Yes	47,085	44,970	26,982	3%-4%	Necessity of short-term financing	-	Operating capital	-	—	-	781,328	781,328	
1	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	Other receivables	Yes	535,774	202,335	202,335	3.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	Other receivables	Yes	31,600	-	-	3.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	18,960	17,988	17,988	3.80%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd	Other receivables	Yes	24,400	23,984	23,984	4.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
2	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Other receivables	Yes	15,410	-	-	3.20%	Necessity of short-term financing	-	Operating capital	-	—	-	76,485	76,485	
3	Lemtech Precision Material	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	95,436	94,710	73,185	5.00%	Necessity of short-term financing	-	Operating capital	-	—	-	776,837	776,837	
4	Lemtech Technology Limited	Lemtech Industrial Services Ltd	Other receivables	Yes	3,106	-	-	4.00%	Necessity of short-term financing	-	Operating capital	-	—	-	170,810	170,810	

Note 1: Explanations for the numbering column are as follows:

(1) The issuer is coded 0.

(2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: If a public company extend loans by submitting each loan for the board resolution in accordance with Article 14 (1) of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the drawdown had not been made, the amount resolved by the board shall be included in the balance announced in order to disclose the risks borne; however, if subsequently the amount is repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. If a publicly company authorized the chairman of the board of directors to extend loans in installments or to make a revolving credit line within a certain amount and within a period of one year in accordance with Article 14 (2) of the regulation, the loan limit resolved by the board shall be the reported balance. Although the amount may subsequently be repaid, considering the that further installments may be made, the loan limit resolved by the board shall still be the reported balance.

Note 3: (1) The loan limit to others is approved by the shareholders' meeting of Lemtech Holdings Co., Limited in accordance with the Operational Procedures for Loaning Funds to Others: For loans extended to companies with business ties, 1. the loan limit shall not exceed 20% of the company's net worth; amount of individual loans shall not exceed the total amount of trading between the parties in the most recent year. The amount of trading means the sales or purchasing amount between the parties, whichever is higher. 2. Where the extension of loans for companies with short-term financing needs is necessary, the total amount of loan extended shall not exceed 40% of the company's net value; the amount extended for each individual loans shall not exceed 40% of the company's net value.

(2) According to the above regulations, the maximum value of short-term financing extended by Lemtech Holdings Co., Limited out of necessity is net value of NT\$1,953,321 thousand x 40% = NT\$781,328 thousand; the limit for a single entity is NT\$1,953,321 thousand x 40% = NT\$781,328 thousand.

(3) According to the above regulations, the maximum value of short-term financing extended by Lemtech Global Solution Co. Ltd. out of necessity is net value of NT\$2,393,571 thousand x 40% = NT\$957,428 thousand; the limit for a single entity is NT\$2,393,571 thousand x 40% = NT\$957,428 thousand.

(4) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by LDC Precision Engineering Co., Ltd. out of necessity is net value of NT\$191,213 thousand x 40% = NT\$76,485 thousand; the limit for a single entity is NT\$191,213 thousand x 40% = NT\$76,485 thousand.

(5) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Precision Material (China) Co., Ltd (China) out of necessity is net value of NT\$1,942,092 thousand x 40% = NT\$776,837 thousand; the limit for a single entity is NT\$1,942,092 thousand x 40% = NT\$776,837 thousand.

(6) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Technology Limited out of necessity is net value of NT\$427,024 thousand x 40% = NT\$170,810 thousand; the limit for a single entity is NT\$427,024 thousand x 40% = NT\$170,810 thousand.

Lemtech Holdings Co., Limited and subsidiaries
Endorsement/guarantee provided for others
2019

Attachment 2

Unit: NTD thousands

No. (Note 1)	Endorsement/guarantee provider name	Subject of endorsements/guarantees		Limit on endorsement s/guarantee s provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guarantee collateralized by properties	Accumulated endorsements and guarantees amount to net worth stated the most recent financial statement %	Maximum endorsement /guarantee amount allowable	Guarantee provided by parent company to a subsidiary	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in China
		Name	RELATIONS (Note 2)										
0	Lemtech Holdings Co., Limited	Kunshan Lemtech Slide Technology Co., Ltd.	2	\$ 2,343,985	\$ 31,600	\$ 29,980	\$ 29,980	\$ -	1.53%	\$ 5,859,963	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	2	2,343,985	117,810	114,206	114,206	-	5.85%	5,859,963	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	2	2,343,985	808,250	314,790	187,045	-	16.12%	5,859,963	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	2	2,343,985	376,680	359,760	149,900	-	18.42%	5,859,963	Yes	No	Yes
1	Lemtech Technology Limited	Lemtech Holdings Co., Limited	3	512,429	156,950	149,900	149,900	-	35.10%	1,281,072	No	Yes	No

Note 1: Explanations for the numbering column are as follows:

- (1) The issuer is coded 0.
- (2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: Listed below are the 6 types of companies to which the company may provide endorsement/guarantee:

- (1) A company that has business transactions with the Company.
- (2) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) Companies that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) All capital contributing shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: (1) The endorsement/guarantee limit is determined by Lemtech Global Solution Co. Ltd. in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by Lemtech Global Solution Co. Ltd. shall not exceed 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 120% of the net worth of the current period. If the endorsement is guaranteed by the business relationship, the amount of endorsement shall not exceed the total amount of transactions with the company in the most recent year (the number of goods purchased or sold between the two parties, whichever is higher). The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants. Endorsements and guarantees not exceeding 10 percent of this company's net worth may be made between companies in which the company directly and indirectly holds 90% voting interest. However, endorsements and guarantees made between companies in which the company directly and indirectly holds 100% voting interest shall not be subject to the above restriction.

(2) According to the above regulations, the maximum limit for guarantee for endorsement by Liande Holding Co., Ltd. is 1,953,321 (KRW) × 300% = 5,859,963 (KRW); the limit for endorsement guarantee for a single enterprise is 1,953,321 (KRW) × 120% = 2,343,985 (unit).

(3) According to the above provisions, the maximum limit for Lemtech Technology Limited's external endorsement guarantee is 427,024 (RMB) × 300% = 1,281,072 (RMB); the limit for endorsement guarantee for a single enterprise is 427,024 (RMB) × 120% = 512,429 (RMB).

Lemtech Holdings Co., Limited and subsidiaries
Acquisition of real estate at cost exceeding of NT\$300 million or 20% of paid-in capital
2019

Attachment 3

Unit: unless otherwise stated
, NTD thousands.

Company that acquired the real estate	Name of the real estate	Date of occurrence	Transaction amount	Payment status	Counterparty	RELATIONS	Prior Transaction Whose Counterparty Was a Related Party				Basis of Reference for Price Determination	Purpose of acquisition and usage	Other commitments
							Owner	Relationship with the issuer	Date of transferal	Amount			
Lemtech Holdings Co., Limited	Land	2018/11/09	\$ 488,434	\$ 488,434	Note 4	None	N/A	-	-	\$ -	Refer to market price of and professional appraisal report on the nearby real estate	Operation and production needs	None

Note 1: If the asset acquired is required to be appraised, the appraisal result shall be indicated on the column titled "Basis of Reference for Price Determination."

Note 2: paid-in capital refers to the paid-in capital of the parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the regulation regarding 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of occurrence means the contracting date for the transaction, payment date, consignment trade date, transfer date, resolution date of the board of directors, or other dates on which the transaction party and amount can be ascertained, whichever is earlier.

Note 4: Disclosure may be exempted where the counterparty to the transaction is a natural person and is not a related party to the company.

Lemtech Holdings Co., Limited
Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital
2019

Attachment 4

Unit: unless otherwise stated
, NTD thousands.

Name of company selling or purchasing	Counterparty	RELATIONS	Transaction details				Situation and reason of why trading conditions are different from general trading		Accounts and notes receivable (payable)		Notes
			Purchase/sal e	Sum	% to total purchase (sale)	Loan period	Unit price	Loan period	Balance	% to total accounts receivable (payment)	
Lemtech Precision Material	Lemtech Technology Limited	Subsidiaries	Sales	\$ 159,226	4.84%	90 days	According to the company's pricing policy for transfers	-	Accounts receivable \$ 111,164	9.51%	
LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Parent company	Sales	98,936	24.76%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 26,883	19.73%	

Lemtech Holdings Co., Limited and subsidiaries
Accounts receivable from related parties reaching NT\$100 million or 20% of its paid-in capital
2019

Attachment 5

Unit: NTD thousands

Name of company with accounts receivable on account	Name of the counterparty	RELATIONS	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amounts received from related parties in subsequent period	Allowance for bad debts recognized
					Sum	Action taken		
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	bsidiaries	Other receivables \$ 205,286	Note 2	\$ -	—	\$ 203,096	\$ -
Lemtech Precision Material	Lemtech Technology Limited	bsidiaries	Accounts receivable 111,164	1.18	-	—	84,224	-

Note 1: Write-offs for long-term equity investments consolidated from individual entities, adopting the equity method, have been adjusted.
Note 2: Categorized as other receivables, thus turnover rate is not calculated.

Lemtech Holdings Co., Limited and subsidiaries
Business relations between parent company and subsidiaries and material transactions
2019

Attachment 6

Unit: NTD thousands

No.	Name of the trader	Name of the transaction counterparty	Relationship with counterparty (Note)	Conditions of transactions			
				Account	Amount (NTD thousands)	Terms of transaction	% to total consolidated revenue or total assets
0	Lemtech Holdings Co., Limited	Zhenjiang Emtron Surface Treatment Limited	1	Other receivables (payables)	\$ 27,412	General Terms of Transaction	0.44%
0	Lemtech Holdings Co., Limited	Lemtech Philippine Thermal System Inc.	1	Other receivables (payables)	26,971	General Terms of Transaction	0.43%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Global Solution Co. Ltd.	3	Other payables (receivables)	18,108	General Terms of Transaction	0.29%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Precision Material	3	Other payables (receivables)	74,853	General Terms of Transaction	1.20%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Precision Material	3	Sales revenue (purchase)	13,240	General Terms of Transaction	0.26%
2	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	1	Other receivables (payables)	205,286	General Terms of Transaction	3.30%
2	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	1	Interest revenue (expense)	16,509	General Terms of Transaction	0.33%
2	Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd	3	Other receivables (payables)	24,154	General Terms of Transaction	0.39%
3	Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	1	Accounts receivable (payables)	17,768	General Terms of Transaction	0.29%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Accounts receivable (payment)	111,164	General Terms of Transaction	1.79%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Accounts payable (receivable)	23,936	General Terms of Transaction	0.38%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Sales revenue (purchase)	159,226	General Terms of Transaction	3.16%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Purchases (sales revenue)	25,402	General Terms of Transaction	0.50%
3	Lemtech Precision Material	Lemtech Philippine Thermal System Inc.	3	Accounts receivable (payables)	22,318	General Terms of Transaction	0.36%
3	Lemtech Precision Material	Lemtech Philippine Thermal System Inc.	3	Sales revenue (purchase)	22,971	General Terms of Transaction	0.46%
3	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co., Ltd.	3	Other receivables (payables)	32,248	General Terms of Transaction	0.52%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Purchases (sales revenue)	67,216	General Terms of Transaction	1.33%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Accounts payable (receivable)	16,153	General Terms of Transaction	0.26%
5	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd.	1	Accounts payable (receivable)	12,165	General Terms of Transaction	0.20%
5	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd.	1	Purchases (sales revenue)	54,839	General Terms of	1.09%

No.	Name of the trader	Name of the transaction counterparty	Relationship with counterparty (Note)	Conditions of transactions			
				Account	Amount (NTD thousands)	Terms of transaction	% to total consolidated revenue or total assets
6	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Sales revenue (purchase)	98,936	Transaction General Terms of Transaction	1.96%
6	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Accounts receivable (payables)	26,833	Transaction General Terms of Transaction	0.43%

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:

1. Parent company will be coded "0".
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: The transaction relationships with the counterparties are as follows. Please specify the type (the same transaction shall not be disclosed repetitively for transaction between the parent company and the subsidiaries or between the subsidiaries. For example, if the parent company has already disclosed its transaction with a subsidiary, the subsidiary does not need to disclose the information again; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, the other one does not need to disclose it again.)

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3: For calculations of ratio of the transaction amount accounts to consolidated total revenue or total assets, where the item is either an asset or a liability, the ratio of the ending balance to the consolidated total assets shall be calculated; where the item is either a gain or a loss, the ratio of the aggregated amount at the end of the period to the consolidated total revenue shall be calculated.

Note 4: Because there are no similar transactions to follow, the terms and conditions of the transaction are negotiated between the two parties based on actual operation needs.

Note 5: The above transactions have been offset in the consolidated statements.

Note 6: whether to list the material transactions situation in this attachment shall be determined by the company with the materiality principle.

Lemtech Holdings Co., Limited and subsidiaries
Name of investee, location, etc.
2019

Attachment 7

Unit: NTD thousands

Investor company	Name of investees	Location	Principal business activities	Original investment amount		Balance at the end of the period			Net gain or loss of the investee	Recognized investment gain/loss of the current period	Notes
				End of the period	End of last year	Number of shares	Ratio %	Carrying amount			
The company	Controllable Lemtech Global Solution Co. Ltd.	Republic of Mauritius	General investment	\$ 112,397	\$ 112,397	2,500,000	100	\$ 2,393,571	\$ 295,297	\$ 295,297	Subsidiaries
The company	Lemtech Cooling System Limited	Hong Kong	General investment	154,220	-	7,000,000	100	136,599	(12,760)	(12,760)	Subsidiaries
The company	Lemtech Industrial Services Ltd	Independent State of Samoa	Sales of electronics and computer peripheral components	6,583	-	1,425,000	57	32,006	19,869	11,328	Subsidiaries
Lemtech Cooling System Limited	Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Taiwan	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	30,000	-	3,000,000	100	26,053	(5,814)	(3,580)	Subsidiaries
Lemtech Cooling System Limited	Lemtech Philippine Thermal System Inc.	Republic of the Philippines	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	6,100	-	11,000,000	100	(4,536)	(11,088)	(11,088)	Subsidiaries
Lemtech Precision Material	Lemtech Technology Limited	Hong Kong	Sales of automotive, electronics and computer peripheral parts	597	597	-	100	427,024	25,156	25,156	Third-tier subsidiary
Lemtech Precision Material	LDC Precision Engineering Co., Ltd.	Taiwan	Manufacture and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic machinery, automobiles and automotive parts, other optical and precision machinery	9,524	9,524	-	100	191,213	25,936	25,936	Third-tier subsidiary
Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	Czech Republic	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	195,984	195,984	-	100	99,453	(27,406)	(27,406)	Third-tier subsidiary
Lemtech Technology Limited	Lemtech USA Inc.	United States of America	U.S. business development, business information collection, provision of market intelligence and industry information	1,502	1,502	-	100	724	653	653	Third-tier subsidiary
Lemtech Technology Limited	Lemtech Industrial Services Ltd	Independent State of Samoa	Sales of electronics and computer peripheral components	-	46,792	-	-	-	19,868	(3)	Third-tier subsidiary
Lemtech Technology Limited	With significant influence Aapico Lemtech Co., Ltd.	Thailand	R & D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	16,452	16,452	160,000	40	32,923	4,027	1,420	Investees recognized under the equity method
Lemtech Global Solution Co. Ltd.	Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Taiwan	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	-	3,650	-	-	-	(5,814)	(1,099)	Investees recognized under the equity method

Note 1: Please refer to Attachment 8 for information on investee in China.

Lemtech Holdings Co., Limited and subsidiaries
Information on investments in China
2019

Attachment 8 Unit: NTD thousands / foreign currency thousands

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Outflow	Inflow						
Zhenjiang Emtron Surface Treatment Limited	Surface treatment of mechanical, electronic and automotive components	\$ 65,043 (RMB 14,352)	83.33% equity held by Lemtech Holdings Co., Limited	\$ -	\$	\$	\$ -	(\$ 28,899)	83.33%	(\$ 22,810) (Note)	\$ 43,218	\$ -
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	273,372 (RMB 63,000)	99.8% equity held by Lemtech Global Solution Co. Ltd.	-			-	309,736	99.8%	309,117 (Note)	1,938,208	-
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	273,372 (RMB 63,000)	0.2% equity held by Lemtech Holdings Co., Limited	-			-	309,736	0.2%	619 (Note)	3,884	-
Kunshan Lemtech Slide Technology Co., Ltd.	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	69,758 (RMB 15,000)	100% invested by Lemtech Industrial Services Ltd.	-			-	18,446	100%	18,446 (Note)	48,158	-
Kunshan Lemtech Electronics Technology Co., Ltd.	R & D, manufacturing, and sales of self-produced electronic components, special electronic materials, and cooling modules; engaged in the production of the same products of the parent company and the wholesale, import and export of raw materials and mechanical equipment used by the parent company	60,990 (RMB 14,060)	100% owned by Lemtech Cooling System Limited	-			-	(77)	100%	(77) (Note)	60,451	-

Note: The investment gain (loss) is recognized in accordance with the parent company's financial statements for the same period audited by a certified public accountant.

2. Limit on the amount of investment in China

Accumulated investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on the amount of investment in China authorized by MOEAIC
\$ -	Not applicable	Not applicable

- 3. Significant transactions with the investees in China directly or indirectly through businesses in a third region: Attachment 6.
- 4. Endorsements, guarantees or provision of collateral directly or indirectly between the company and the investees in China through business in a third region: Attachment 2.
- 5. Financing extended directly or indirectly between the company and the investees in China through business in a third region: Attachment 1.
- 6. Other transactions that have significant influence on the profits and losses or financial status of the current period: none.