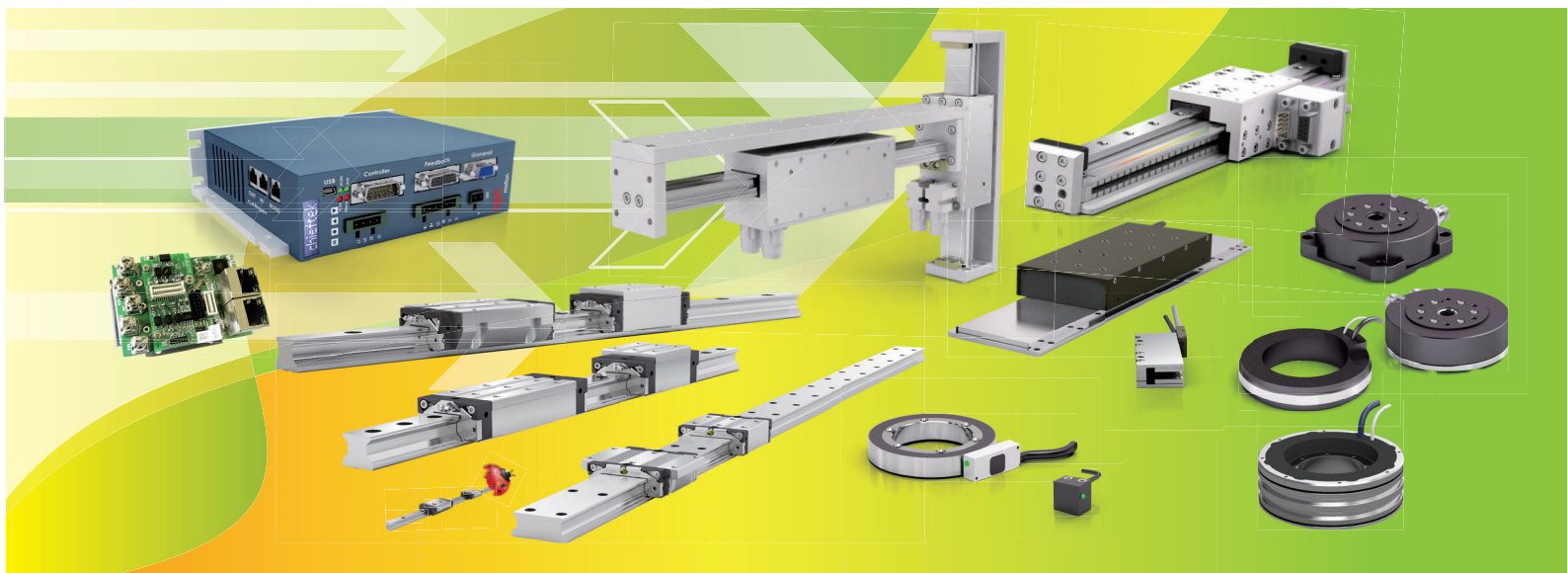


2019 Annual Report

Stock Code: 1597



Mechatronics in Linear Motion Technology

cpc **CHIEFTEK PRECISION CO., LTD.**

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw/mops/web/index>
cpc Annual Report is available at: <http://www.chieftek.com>
Printed on May 04, 2020

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5. TRADING PLACES OF OVERSEAS NEGOTIABLE SECURITIES FLOTATION AND MODE OF INQUIRY INFORMATION ON OVERSEAS NEGOTIABLE SECURITIES: NONE.

6. COMPANY WEBSITE:<http://www.chieftek.com>

CHIEFTEK PRECISION CO., LTD.

Contents of Annual Report in 2019

CHIEFTEK PRECISION CO., LTD.
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I. Letter of Shareholders

Distinguished shareholders, ladies and gentlemen:

Thanks to all shareholders for your continual encouragement and support to CHIEFTEK PRECISION CO., LTD. (cpc for short). Under the impact of China-U.S. trade war in 2019, China and other countries around the world did not have significant growth in economy, which led to the sharp decrease in the export amount and production value of MIT machinery products compared with 2018. The Company took measures to eliminate the impact of China-U.S. trade war; it has integrated the resources of the business conglomerate and improved the production efficiency as well as inventory turnover. In 2019, the consolidated income is NT\$ 1,300,351 thousand, with a decrease of NT\$778,550 thousand compared with NT\$ 2,078,901 thousand in 2018, dropping by 37.45%. The net profit before tax in 2019 is as high as NT\$222,227 thousand, compared with the pre-tax net benefit of 2016, NT\$609,837 thousand, it is increased NT\$387,610 thousand, dropping by 63.56%.

I hereby report the operating results for 2018 fiscal year and a summary of the business plan for 2019 fiscal year.

I. Operating results for the previous fiscal year (2019)

(I) Implementation of the business plan for the previous fiscal year

Comparison table of consolidated comprehensive profit/loss of the company and the product sale by type within the last 2 fiscal years and its description is as follows:

1. Comparison table of consolidated comprehensive profit/loss within the last 2 fiscal years.

Unit: NT\$ in thousand

Items	2019	2018	Increase(decrease)
Net operating income	1,300,351	2,078,901	(778,550)
Operating cost	(718,689)	(1,090,575)	(371,886)
Operating gross profit	581,662	988,326	(406,664)
Operating expense	(340,123)	(383,432)	(43,309)
Operating profit	241,539	604,894	(363,355)
Net non-operating income (expense)	(19,312)	4,943	(24,255)
Net profit before tax	222,227	609,837	(387,610)
Net profit after tax	174,644	471,252	(296,608)
Other Comprehensive income/loss	(11,907)	(6,088)	(5,819)
Comprehensive income/loss for the year	162,737	465,164	(302,427)

2. Product sale by type in the last 2 fiscal years: Please refer to Operation Proportion under V. Operating Overview.

Unit: NT\$ in thousand

Product type	2019		2018		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Miniature type	753,670	57.96%	1,168,570	56.21%	(414,900)	(35.51%)
Large type	474,772	36.51%	832,741	40.06%	(357,969)	(42.99%)
Linear motor	70,992	5.46%	76,565	3.68%	(5,573)	(7.28%)
Other	917	0.07%	1,025	0.05%	(108)	(10.54%)
Total	1,300,351	100.00%	2,078,901	100.00%	(778,550)	(37.45%)

The table above presented:

(1) Revenue

- A. The revenue of miniature linear guides is NT\$753,670 thousand, down 35.51%; the revenue of large linear guides is NT\$474,772 thousand, down 42.99%; the revenue of linear motors is NT\$70,992 thousand, down 7.28%.
- B. Compared in terms of geographical areas differences, the Mainland China area declined by 51.90%, the European area declined by 8.15%, the US area declined by 7.86%, Taiwan's domestic sales declined by 43.57%, and other areas (including the Japanese market) declined by 45.53%.

(2) Gross profit from operation

In 2019, there was drastic decline in the demand of Mainland China, especially in manufacturing tools and relevant industries. In addition, as competitors seek small profit with quick turnover, the Company survived in the competitive market by offering high quality products, increasing the proportion of miniature linear products with high gross profit, and enhancing management of operational cost. In 2019, the consolidated gross profit rate from operation was 44.73%, which dropped by 2.81% compared with that in 2018.

(3) Earnings

- A. The earnings before tax for 2019 fiscal year is NT\$222,227 thousand, compared with NT\$609,837 thousand for 2018 fiscal year, which is decreased by NT\$387,610 thousand, with reduction ratio of 63.56%.
- B. The 2019 earnings per share was NT\$2.15 dollars, dropping by NT\$3.67 dollars compared with NT\$5.82 of 2018.

(II) Implementation of Budget

The financial prediction of 2019 was not publicized; it was not likely to estimate the achievement of goals.

(III) Analysis of receipts/expenditures, and profitability

Items		2019	2018	
Financial structure (%)	Ratio of liabilities to assets	39.02	40.39	
	Ratio of long-term funds to real property, factory and equipment	207.74	238.82	
Debt paying ability (%)	Current ratio	248.73	258.08	
	Quick ratio	150.40	166.99	
	Interest coverage ratio	15.85	37.91	
Profit structure (%)	Return on assets (ROA)	5.66	16.49	
	Return on equity (ROE)	8.82	27.28	
	Ratio on paid-in capital	Operating profit	29.75	81.96
		Pre-tax income	27.37	82.63
	Net profit ratio	13.43	22.74	
Basic EPS (\$)	2.15	5.82		

(IV) Examine research and development work

cpc is mainly engaged in the development and production of linear motion products, which the miniature type linear guide products are the leading brands in the world. In addition to the research and development of miniature linear guide products, critical components and motion products, the company is also constantly investing in research and development of the critical components as well as launching serial products, which including motor products, such as linear motors, DD motors, development, design, manufacturing subsystem of high-precision X, Y platform, and persistent commitment to industrial control platform, X Y table platform and development of high positioning system. The products are mostly applied in the semiconductor, panel, biomedicine, PCB, and automatization industry; all products, including software, firmware and hardware, are completely developed, produced and manufactured on our own. In addition, we have long been engaged in the development and production of high-end rotary and high-end servo motors and AC/DC drives with communication protocol functions such as CAN and EtherCAT, as well as can be connected to encoders of various brands commonly used in the market. The Company is working on development of programmable logic controller (PLC), which can be used as the control platform required for Industry 4.0. The Company anticipates to evolve to a system integrator with high flexibility and reliability to eliminate the problem of over-reliance on overseas suppliers for artificial intelligence products.

The Company continued to invest in R&D expenses of NT\$72,112 thousand for 2019 fiscal year. Compared with the NT\$87,175 thousand for 2018 fiscal year, which is decreased by NT\$15,063 thousand, with gross reduction ratio of 17.28%.

II. Summary of the business plan for the current fiscal year (2020)

(I) Management principles (corporate social responsibility policy)

1. Implement information transparency, practice honest operation

(1) Implement information transparency, practice corporate governance.

- (2) Stick to honesty, integrity and sustainable operation, achieve **cpc** leading brand of the world.
 - (3) Cultivate a filial team with mercy, international view, professional skills and high sense honor.
 - 2. Strengthen the awareness of environmental safety, implement environmental protection.
 - (1) Provide a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
 - (2) Protect the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
 - (3) In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
 - (4) The environmental protection safety is an uninterrupted activity of the entire personnel.
 - 3. Education in morality-rooted, create a peaceful society.
 - (1) Plant widely with Chinese cultural root and establish a righteous corporation.
 - (2) Cultivate a team with normally and skills, become a model of corporation operation.
 - (3) Fulfill corporate social responsibility, co-create a sunny and peaceful society.
- (II) Expected sales volume and its basis
- 1. Affected by China-US trade friction as well as the outbreak of Novel coronavirus, we have been clearly felt the operating pressure since the upper half of 2019. The Company would draw up the optimal estimates for the coming year, expected sales volume and amount, based on factors such as the industrial climate and economic environment, as well as taking account of the company's recent actual operating conditions and assessment of the future operating environment
 - 2. The Company emphasizes the second phase of the construction of the Company in Tree Valley Park, expecting to have the work completed and make the machine installed in the upper half of 2019. Hopefully, the Company can make a positive contribution to the revenue and profit of the Company.
- (III) Important production and marketing policies
- 1. Marketing policy
 - (1) Marketing with private brand **cpc** in the world, so as to improve brand awareness and value.
 - (2) Strengthen management of existing clients, and establish good interaction.
 - (3) Continuously enhance operating function of each area, so as to increase overall operating income.
 - (4) Actively expand market, increase market share.
 - 2. Manufacturing policy
 - (1) Quality is the result of design, manufacture and management.
 - (2) Receive, manufacture and distribute no non-performing product.
 - (3) Quality improvement is an uninterrupted activity of the entire personnel.
 - (4) Actively engaged in the production of new products.

III. Company's future development strategy

cpc has always focused on the development and application for critical components such as machine transmission elements, linear motor electronic control products and AC/DC servos, as well electromechanical systems such as high-precision & high-quality modules, X Y platforms, etc., which has increased visibility and brand image of **cpc**. **cpc** has continued to strengthen the cultivation of talents, development of new products, and investment in production lines. In recent years, **cpc** has spared no effort in exploring into the aspects of smart manufacturing, IOT, industry 4.0. and other AI applications. **cpc** intends to establish its international reputation by promoting its self-brand by upgrading the performance and profitability of the business conglomerate. Continual talent cultivation, development of new product, investment in production line will also be emphasized.

The future operation and profitability will be stable and grow, and the business philosophy of “deeply cultivating technology field, expanding customer service, actively innovating in R&D, accumulating our own patent” will be the virtue of sustainable operation and development of the Group. Hopefully, **cpc** can take advantage of its strong expertise in precision machinery to develop the system with soft power.

IV. Effect of external competition, the legal environment, and the overall business environment

(I) External competition

1. As China-U.S. trade war keep worsening in 2019, the overall revenue deteriorated. After the preliminary bilateral trade agreement was signed by China and U.S. in January 2020, people have been anticipating economic growth and increase in the demand for machinery equipment.
2. As the outbreak of COVID-19 appears to be worsening, the short-term impact on economy would extend from consumers to the production and supply chain; companies may reduce or postpone the procurement of machinery equipment.

(II) Legal environment, and the overall business environment

The Company is slightly affected by regular environment due to industrial property. However, observation from the microscope perspective indicates that with lockdown, comprehensive control over people and traffic, and other extreme pandemic-preventive measures being implemented by governments of countries around the world, the production and supply chain in addition to the consumer market would be impacted, leading to economic downturn. This could cause companies to downsize or postpone the investment in machinery equipment. In 2020, the above-mentioned phenomenon will have great impact on the Taiwanese machinery industry, which is highly reliant on exporting products.

The biggest advantage of **cpc** is that we have an abundant capabilities from mechanical processing to electronic control integration and the experience of the complete appliance, which is beyond the control of Taiwanese electronic control manufacturers and other opponents. Because since starting from critical components, CPC is already very familiar machining, and we can help our customers to do the best production line automation and intelligent planning with their own experience.

The micro linear slide, linear motors, and other products are key components to products of the medicine, semiconductor, and electro-optical industries, which indicates the potential of the **cpc** technological products. The Company would keep close observation of possible impact brought by changes in the environment and make immediate response. Also, it will be devoted in developing new products and improving existing techniques despite the limited resources and poor economic condition. The above-mentioned measures will enable the Company to offer products and services that caters to the need for smart machinery, automatized equipment, and mechatronic system.

The Company will still stick “Honest Operation Principle”, and continuously improve international competitiveness of the group, maximize the benefits for shareholders and customers, create the best career welfare for all colleagues, return the public with virtuous and skilled achievements, bring along social goodness, make everyone safe and happy and satisfied with their work and life. It is worth it definitely. I hereby wish all the shareholders

In good health and have a happy family!

Chairman: CHEN LI-FEN

II. Company Profile

I. Date of establishment: October 19, 1998

II. Company History

(I) Company History

Fiscal Year	Major history of the company
1998	Setup license issued by Ministry of Economic Affairs (MOEA) with paid-in capital of NT\$5,000 thousand.
1999	Put forward “R&D plan of Miniature Linear Guide” and got project grants from Industrial Technology Research Institute. Applied for “Linear motion bearings” patent to Taiwan, America, Germany and Japan. Moved into incubation center of National Cheng Kung University and carry out Industry-University collaboration with National Cheng Kung University. Apply for increased capital by cash in October, paid-in capital was increased to NT\$25,000 thousand.
2000	Moved to Rede factory and began pilot mass production. Beginning of MR9M Miniature Linear Guide mass production. Applied for increased capital by cash in April, paid-in capital was increased to NT\$41,200 thousand. Apply for increased capital by cash in September, paid-in capital was increased to NT\$99,000 thousand.
2001	Made negotiations with agents and distributors on development of domestic clients and overseas clients in USA, Germany, the UK, Italy, Benelus, Switzerland, Israel, Singapore, Malaysia and other countries. Entered Korean market and signed the contract with Korean agent. Establishment of factory in southern science industrial park was approved by National Science Council (NSC). “Linear motion bearings” was approved by American patent. Apply for increased capital by cash in July, paid-in capital was increased to NT\$150,000 thousand.
2002	Entered Singaporean market and signed the contract with Singaporean agent. Applied for increased capital by cash in July, paid-in capital was increased to NT\$ 210,000 thousand (Tech stock was NT\$ 60,000 thousand).
2003	Started building Phase I project of the factory in Southern Taiwan Science Park. Apply for increased capital by cash in August, paid-in capital was increased to NT\$ 270,000 thousand. Apply for increased capital by cash in October, paid-in capital was increased to NT\$ 290,000 thousand. Exhibited all series of Miniature Linear Guide in Shanghai in December.
2004	Beginning of Size3 Miniature Linear Guide mass production. Apply for increased capital by cash in January, paid-in capital was increased to NT\$ 340,000 thousand.

Fiscal Year	Major history of the company
	Apply for increased capital by cash in March, paid-in capital was increased to NT\$ 360,000 thousand.
2005	Factory in Southern Taiwan Science Park was completed and began official mass production. Official mass production of standard Linear Guide.
2007	Mass production of AR/HR Roller type Linear Guide. Passed the ISO9001 quality certification. Carried out university-industry collaboration with mechanical engineering department of National Chung Cheng University. Applied for “R&D subsidy to early design and development of linear motor” and approved by Southern Taiwan Science Park Authority. Approved by the Ministry of National Defense and applied for personnel who serviced national defense, to cultivate R&D talents coordinating national policy. Beginning of Ultra-fast miniature linear guide mass production. Beginning of Self-lubricating miniature linear guide mass production.
2008	Set up CPC subsidiaries in the United States with paid-in capital of US\$300 thousand. Set up CPC subsidiaries in Kunshan city with paid-in capital of US\$ 300 thousand.
2009	Beginning of Ironless Series linear motor producing. Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 360,560 thousand.
2010	Set up CPC subsidiaries in Germany with paid-in capital of EU\$69 thousand. CPC Kunshan applied for increased capital by cash, paid-in capital was increased to US\$1,000 thousand. Increased capital by surplus was NT\$18,028 thousand, paid-in capital was increased to NT\$378,588 thousand.
2011	Public issuance was approved on Jan. 17 th and stocks were registered on the Emerging Stock Market on Mar. 10 th . Increased capital by surplus was NT\$ 30,287 thousand, paid-in capital was increased to NT\$408,875 thousand. CPC Kunshan subsidiaries applied for increased capital by cash, paid-in capital was increased to US\$ 3,000 thousand. Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 433,875 thousand.
2012	Purchased land of Tree Valley Park as future preparation for extension construction of plants. Employee stock warrant issued new shares of NT\$ 6,204 thousand, paid-in capital was increased to NT\$ 440,079 thousand. Increased capital by surplus was NT\$ 44,008 thousand, paid-in capital was increased to NT\$ 484,087 thousand. Finished development plan of leading new product in “High Thrust Density Ironless-core Linear Motor” approved by Ministry of Economic Affairs (MOEA). CPC USA applied for increased capital by cash, paid-in capital was increased to US\$ 1,000 thousand.

Fiscal Year	Major history of the company
	<p>Increased capital by cash was NT\$46,330 thousand, paid-in capital was increased to NT\$530,417 thousand.</p> <p>Buying and selling in foundation GreTai Securities Market (GTSM) since Dec. 28th.</p>
2013	<p>Employee stock warrant issued new shares of NT\$2,556 thousand, paid-in capital was increased to NT\$532,973 thousand.</p> <p>CPC USA applied for increased capital by cash, paid-in capital was increased to USD\$1,660 thousand.</p> <p>CPC Germany applied for increased capital by cash, paid-in capital was increased to EUR\$2,500 thousand.</p> <p>Increased capital by surplus was NT\$26,649 thousand, paid-in capital was increased to NT\$559,622 thousand.</p> <p>Official mass production of wide Roller-type Linear Guide.</p>
2014	<p>Employee stock warrant issued new shares of NT\$2,464 thousand, paid-in capital was increased to NT\$562,086 thousand.</p> <p>CPC Kunshan applied for increased capital by cash, paid-in capital was increased to US\$5,100 thousand.</p> <p>Increased capital by surplus was NT\$28,104 thousand, paid-in capital was increased to NT\$590,190 thousand.</p> <p>Employee stock warrant issued new shares of NT\$2,148 thousand, paid-in capital was increased to NT\$592,338 thousand.</p> <p>ISO14001 Environment Management System, OHSAS 18001 TOSHMS and CNS 15506 TOSHMS in Taiwan certificated.</p> <p>Passed tobacco hazard control label of healthy occupational certificate after assessed by National Health Service(NHS) of Ministry of Health and Welfare(MHW).</p> <p>Implemented treasury stock approach for the first time and expected to transfer to employees to encourage them and retain excellent talents.</p> <p>Comprehensive mass production of LM-CORE series Ironcore Linear Motor.</p> <p>Official mass production of CLS-Compact Linear Motor Stage.</p> <p>Released ARR/HRR/LRR Standard 4-Row Roller-type Linear Guide.</p>
2015	<p>New products such as Roller-type Linear Guide, Ironcore Linear Motor, CLS-Linear Motor stage, Linear Motor servo drives were released for the first time in Taipei International Machine Tool Show (TIMTOS) of 2015.</p> <p>Official mass production of TC1 AC-Linear Motor server and driver.</p> <p>Official mass production of CLMS-Ironcore Linear Motor Stage.</p>
2016	<p>Official mass production of MMLS-Linear Motor Stage.</p> <p>Established CSM Maschinen GmbH with paid-in capital of EU\$25 thousand, cpc holding 80% shares.</p> <p>Capital increase from earnings NT\$28,117 thousand, amount of paid-in capital increased to NT\$620,455 thousand.</p>
2017	<p>Held the product presentation on “An Introduction and Application of Direct Drive Linear Motors”, “An Introduction and Application of Drive Systems” and “An Introduction and Application of Linear Guides” in “Taipei International Machine Tools Show in 2017”.</p>

Fiscal Year	Major history of the company
	<p>Obtained the building permit for the construction of the first phase of factory building in Tree Valley Park.</p> <p>Entered the top 20% of companies of the third round of corporate governance evaluation and were awarded the “Improvement Award”.</p> <p>Established Chieftek Precision International LLC with a paid-up capital of US\$ 500,000 and held 100% shares.</p> <p>Passed the ISO 9001:2015 version, Quality management systems, ISO14001: 2015 version, Environmental management systems, OHSAS 18001: 2007 version, Occupational Health and Safety Assessment Series and Taiwan Occupational Safety and Health Management System of CNS15506 revised version certification, in August 2017.</p> <p>Passed Healthy Workplace Certification - Health Boot Badge by Health Promotion Administration of Ministry of Health and Welfare (MHW).</p>
2018	<p>Applied for retirement of Treasury Shares NT\$30,000 thousand, and the paid-up capital was decreased to NT\$590,455 thousand.</p> <p>The company was awarded “Top 5000 Largest Corporations in Taiwan 2018” by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 1137 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 11 by Net Operating Revenue among Southern Taiwan Science Park. 3. Was Ranked 328 by Operating Performance among Manufacturing Corporations. 4. Was ranked 16 among General Machinery and equipment industry. <p>Applied for capitalization of earnings NT\$147,614 thousand, and the paid-up capital was increased to NT\$ 738,069 thousand.</p> <p>Increased shareholding in CSM Maschinen GmbH was 100%.</p>
2019	<p>Size2 miniature linear guides began mass production.</p> <p>The company was awarded "Top 2000 Largest Corporations in Taiwan 2019" by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 951 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 15 among Top 50 Operating Performance Corporations. 3. Was Ranked 11 among Precision Instruments Manufacturing. 4. Was ranked 50 among Most Profitable Manufacturing Company. <p>Capital increase by retained earnings was NT\$73,807 thousand paid-in capital increased to NT\$811,876 thousand.</p> <p>To adjust the group’s investment structure, Chieftek Precision Co., USA Co, Ltd., which was reinvested and 100% shares held by the company through Chieftek Precision Holding Co., Ltd., was altered to be invested directly by the company</p>
2020	<p>The construction commencement ceremony of the Tree Valley Park’s Phase II Plant was held in March</p> <p>To benefit business developments, merged CSM Maschinen GmbH and CPC Europa GmbH.</p>

(II) Status for merger and acquisition activities, strategic investments in affiliated enterprises, and corporate reorganization during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report:

1. There were no plans of merging or acquiring other companies in 2019 until the date of publication of the annual report, the company will hold a cautious attitude if there are plans to enact merger or acquisitions in the future, and consider the concrete results it brings to the company, to protect the shareholders' rights and interests.
2. Strategic reinvestments in affiliated enterprises in the 2019 fiscal year up to the date of publication of the annual report:
 - (1) Taking the group's investment structure and increasing the administrative efficiency into consideration, the board has passed approval for Chieftek Precision USA Co, Ltd., which was reinvested and 100% shares held by the company through Chieftek Precision Holding Co., Ltd., was altered to be invested directly by the company by Chieftek Precision Holding Co., Ltd. reducing capital and returning equity to Chieftek Precision USA Co, Ltd. on March 11th, 2020.
 - (2) CSM Maschinen GbmH, subsidiary 100% equity owned by the company has completed phased mission of the prototype development, considering saving the company's operating costs, they have moved CSM Maschinen GbmH to cpc Europa GmbH, subsidiary 100% equity owned by the company, for business development and internal management needs, the board has passed approval to merge CSM Maschinen GbmH and cpc Europa GmbH:
 - A. Use and cpc Europa GmbH as the remaining company
 - B. CSM Maschinen GbmH entire assets and liabilities to be merge into cpc Europa GmbH
 - C. Because CSM Maschinen GbmH and cpc Europa GmbH were both subsidiaries 100% equity owned by the company, the merger had no influence on the company's overall consolidated profit and loss, and had no influence on the shareholders' rights and interests.
 - (3) Passed by the board on March 11th, 2020, Chieftek Precision International LLC which is the Company's 100%-owned subsidiary, conducted a cash capital increase of 1.6 million US dollars to pay off bank loans, and fully subscribed by the company.
3. The situation of reorganization in the year of 2019 and as of the date of publication of the annual report: None.

(III) Mass transfer or changes of shares for directors, supervisors, or shareholders with more than 10% shares in the Company; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity. If there is information related to earlier fiscal years that can help provide a significantly clearer understanding of the company's situation, such information may also be included in the annual report.

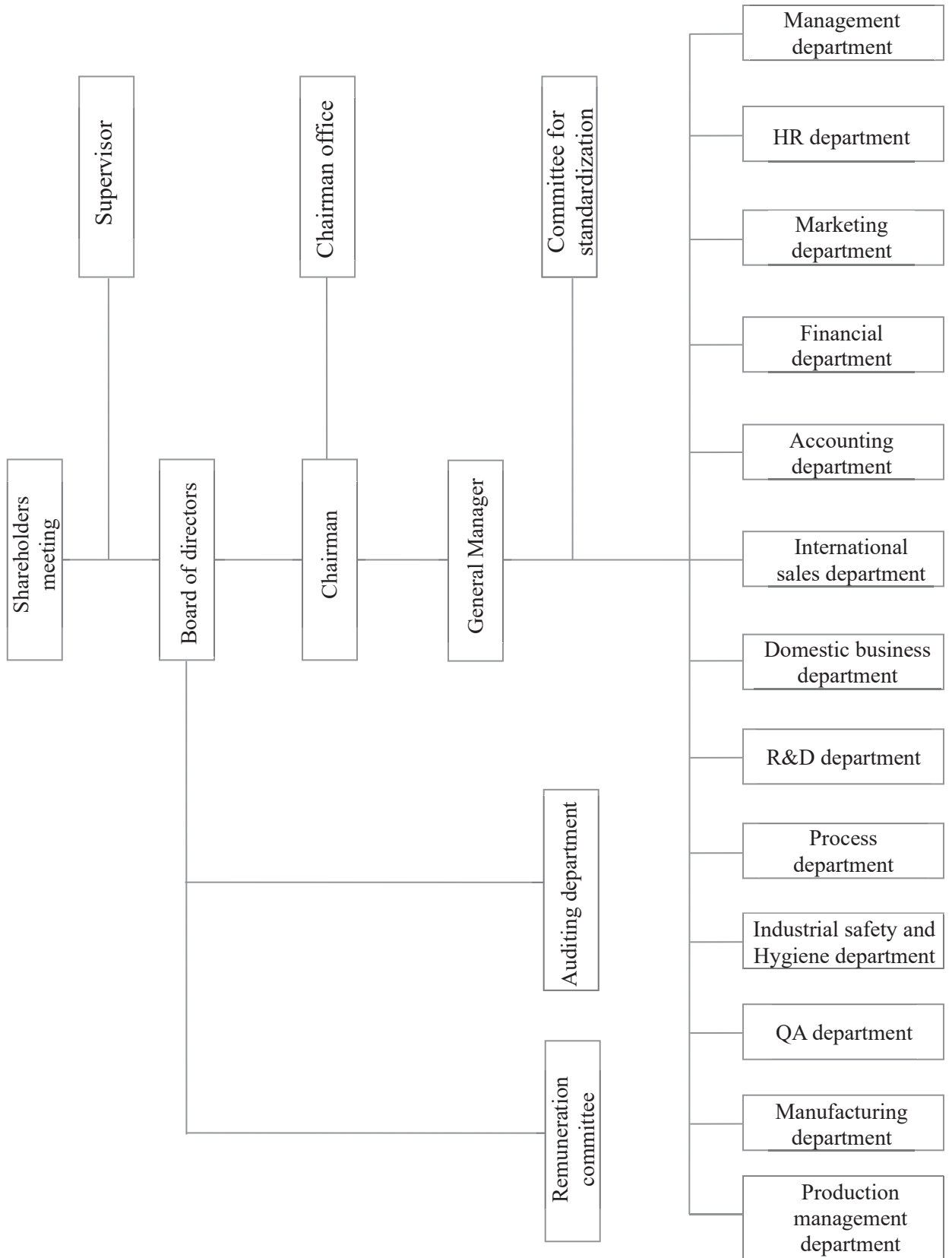
1. Status of mass transfer or changes of shares for directors, supervisors and shareholders with more than 10% shares:
 - (1) There are no shareholders with more than 10% shares in the company up to the date of publication of the annual report.

- (2) The directors and supervisors of the company are all long-term supporters of the company's operation and there is no significant transfer of equity which has a significant impact on the company's finances or business, in the recent fiscal year up to the date of publication of the annual report.
2. Status of changes of managerial control, any material change in operating methods or type of business: None.
 3. Status of other matters of material significance that could affect shareholders' equity: None.

III. Corporate Governance Report

I. Organization System

(I) Organization Structure



(2) The Tasks of Each Principal Divisions

Principal Divisions	Major Tasks
Chairman room	<ol style="list-style-type: none"> 1. To set up outstanding cpc international brand management. 2. To integrate friendly relationship between upstream and downstream vendors in international market. 3. To fulfill the ethical corporate for social responsibility and environmental humanistic responsibility. 4. To promote corporate social responsibility and ethical operations. 5. To pursue the maximum benefit for all shareholders and sustainable operations for corporate.
Auditing room	<ol style="list-style-type: none"> 1. To set out and implement each auditing policy and procedure of the Company. 2. To set out annual overall auditing plan. 3. To audit and inspect the implementation of internal control in each department, to provide improvement suggestion, to track defects and review.
Compensation committee	<ol style="list-style-type: none"> 1. To set out recommendation of salary and remuneration for board directors, supervisors and managers and regular assessment report. 2. To set out and review regularly the performance evaluation of board directors, supervisors and managers. 3. To set out and review regularly salary and remuneration policy, system, standard and structure of the Company.
Standardization committee	<ol style="list-style-type: none"> 1. To check if the format and content of standardization documents proposed by each application unit conform to ISO 9001 quality system, environmental system and other systems of the Company or not. 2. To review and discuss the content of standardization documents to make the standard accord with actual demand. 3. Planning, adjustment, auditing, improvement and other activity management of ISO 9001 quality management system (QMS). 4. To promote and manage quality objectives. 5. To assist management representatives convene management examination meetings.
Management dept.	<ol style="list-style-type: none"> 1. Purchasing section: <ol style="list-style-type: none"> (1) To set out purchasing plan. (2) Development, assessment and management of new subcontractor or outsourcing manufacturer. (3) Inquiry, price comparison, bargaining and contracting of purchasing. (4) Domestic and overseas purchasing. (5) To Coordinate with subcontractor or outsourcing manufacturer. 2. Information section: <ol style="list-style-type: none"> (1) Responsible for the maintenance and planning of the Company's network host. (2) Planning, setting-up and basic maintenance of hardware circuit. (3) Planning and implementation of software. (4) To check system data and its use. (5) To backup data and maintain database regularly. (6) To coordinate and promote computerized operations. (7) Education and training of company informatization. (8) Maintenance of ERP system, development and design of report. 3. General affairs section: <ol style="list-style-type: none"> (1) Management and handling of staff meals and general affairs. (2) Management of transactional fixed assets and tools. 4. Factory affairs section: <ol style="list-style-type: none"> (1) To ensure normal water supply and quality of air-compressor and air-conditioner. (2) To ensure smooth operation of firefighting system, watering and foaming. (3) Maintenance of wastewater system and treatment of wastewater. (4) To ensure supply and smooth operation of power system of the factory area. (5) Mechanical and electrical maintenance and improvement plan of the factory area.

HR dept.	<ol style="list-style-type: none"> 1. To set out each HR related management system and development. 2. Staff recruitment, selection, appointment, cultivation and retention development. 3. Planning and implementation of education and training. 4. Salary management and welfare system. 5. Performance assessment and evaluation. 6. Management and improvement of harmonious labor-capital relationship.
Marketing dept.	<ol style="list-style-type: none"> 1. Design, maintenance and management of the Company website. 2. Catalogue, advertising, propaganda and other art design. 3. Arrangement and design of exhibition. 4. Design of the Company overall image. 5. Application and promotion of each product.
Financial dept.	<ol style="list-style-type: none"> 1. Handling of Banking transactions. 2. Storage, issuance of receipt/payment and recording of cash, bills, and securities. 3. Analysis of financial operating plan, preparation of capital budgeting, fund raising and scheduling. 4. To supervise and assist fund raising, scheduling and management of subsidiaries. 5. Planning and implementation of corporate governance related affairs.
Accounting dept.	<ol style="list-style-type: none"> 1. General accounting section: <ol style="list-style-type: none"> (1) Recording of accounting transaction, storage of source documents and account books. (2) Issuance of receipt/payment, recording and storage of cash and bills. (3) Management of account receivable/payable and general ledger. (4) Management and control of the Company income and expenses. (5) Fixed assets management, tax treatment and tax credit of investment handling. (6) Drafting and implementation of accounting statement. (7) Handling of tax reporting. (8) Withholding, reporting and paying of income tax. (9) Handling and management of bounded affairs. (10) Handling the changes of industrial and business registration. (11) Financial management of subsidiaries. (12) Affairs of the board of directors and shareholders' meeting. (13) Cooperating work audited by accountant. 2. Cost section: <ol style="list-style-type: none"> (1) Calculation and analysis of product cost. (2) Management of purchasing, consumption and storing of inventory. (3) Stocktaking of raw material, semi-finished products, WIS and finished products. (4) Analysis, budgeting and management of the Company operation plan. (5) Preparation and analysis of management report. (6) Tax reporting of scraped products. (7) Cooperating work audited by accountant.
International sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of performance objectives. 2. Sales marketing. 3. Deliberation of project contract. 4. Resolution, feedback and tracking of customer service. 5. Setting and Tracking of forecasting for production and marketing. 6. Market research. 7. Inventory control among subsidiaries. 8. Accounts receivable collection.
Domestic sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of marketing plan. 2. Resolution and feedback of customer service. 3. Review and control of contract and order. 4. Setting and tracking of production and marketing prediction. 5. Setting and implementation of advertisement marketing strategy. 6. Information collection and analysis of the market and the same trade concerned. 7. Accounts receivable collection.

R & D dept.	<ol style="list-style-type: none"> 1. Search and analysis of competitor products and patents. 2. Development, design and patent application of new products. 3. To plan new rules for new products and analyze R & D technology of new products. 4. Function improvement of current products. 5. Audit and recognition of outsourcing components. 6. Sample making and functional testing, design of testing machine and measuring tools. 7. Introduction of trial production for new products. 8. Testing and application of product safety and other regulations.
Manufacture process dept.	<ol style="list-style-type: none"> 1. Technological development section: <ol style="list-style-type: none"> (1) Development of production technology. (2) Capacity planning and standard labor time making. (3) Processing and mechanical equipment SOP making. (4) Cost analysis. (5) Development and maintenance of machineries and fixtures. 2. Mechanical equipment section: <ol style="list-style-type: none"> (1) Repair and maintenance of mechanical equipment. (2) Development and improvement of mechanical equipment. (3) Purchasing of parts and management of spare parts.
Industrial safety and Hygiene dept.	<ol style="list-style-type: none"> 1. Establishment, promotion and maintenance of ISO14001 Environmental Management System, OHSAS18001 Occupational Safety and Health Management System (OSHMS) and CNS15506 OSHMS in Taiwan. 2. Recognition, assessment and control of working environment or operation hazard. 3. Management of machineries, equipment and appliance. 4. Classification, labeling, hazard communication and management of hazardous chemicals. 5. Strategic planning and monitoring of sampling in harmful operating environment. 6. Manufacture process or construction safety assessment in dangerous workplace. 7. Management of purchasing, contracting and change. 8. Operating Standards for safety and health. 9. Regular check, emphasized check, operation check, site inspection and 6S management. 10. Education and training for safety and health. 11. Management of personal safeguard device. 12. Health examination, management and improvement. 13. Collection, sharing and application of safety and health information. 14. Emergency response and preparedness. 15. Investigation and settlement and statistical analysis of occupational accidents, near misses, events that affect the physical and mental health. 16. Record of safety and health management and measures for performance assessment. 17. Other safety and health management measures.
QA dept.	<ol style="list-style-type: none"> 1. Practice of quality policy, implementation and correction of quality system and operation procedure. 2. To carry out and maintain related responsibilities regulated by quality system. 3. To assist and solve customers' problems. 4. Reason analysis, preventive measures, countermeasure formulation and follow-up processing of quality abnormal events. 5. Setting of calibration plan, management of inspection and testing equipment, implementation of internal calibration and control of external calibration. 6. Responding, handling and tracking of customers' complaints. 7. Inspection and judgment of incoming material, processing, finished products before shipment.
Manufacturing dept.	<ol style="list-style-type: none"> 1. Implementation and control of production line planning and scheduling. 2. Improve production efficiency, technology and quality of finished products. 3. Control and improvement of product yield. 4. Quality abnormal reaction and implementation of improvement. 5. Regular maintenance and calibration of manufacturing equipment and instruments. 6. Manpower training and employment plan and performance assessment.

<p>Production management dept.</p>	<ol style="list-style-type: none"> 1. Product management section: <ol style="list-style-type: none"> (1) Annual production and marketing planning. (2) Goal setting and MOC (management of change) of production planning. (3) Implementation of production planning, coordination of production, marketing and delivery. (4) Requirement, purchasing, allocation and control of production materials. 2. Warehouse management section: <ol style="list-style-type: none"> (1) Inventory management (including finished products, semi-finished products, WIP, raw materials, accessories). (2) Receiving and dispatching of material and finished products. (3) Stocktaking. (4) Requirement and control of material, improve inventory turnover ratio. (5) Ensuring proper warehousing and shipping.
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II. Information of Directors, Supervisors, General Manager, Deputy General Manager, Assistant General Manager and Heads of Each Department and Each Branch

(I) Board directors and supervisors

1. Information of board directors and supervisors

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Chairman and Chief Strategy Officer	The Republic of China	CHEN LJ-FEN	Female	June 22, 2017	3 years	October 14, 1998	2,655,805	4.50%	3,653,107	4.50%	5,579,338	6.87%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University Innovation & Incubation, Chairman of Alumni Association of The National Tainan Girls Senior High School 2016-18	Chief Strategy Officer of Chieftek Precision CO., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Chairman of Zhenshanmeihui Investment Co., Ltd, Chairman of Gueirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Chairman of Sunshine Bio Technology Co., Ltd, Chairman of Situjia Food Co., Ltd., Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Director, Tainan Traditional Chinese Cultural College Foundation (Note 2)	Board Director, General Manager and R&D Supervisor	HSU MING-CHE	Spouse	Note 4

April 30, 2020

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Board Director, General Manager and R&D Supervisor	The Republic of China	HSU MING-CHE	Male	June 22, 2017	3 years	October 14, 1998	4,057,701	6.87%	5,579,338	6.87%	3,653,107	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart General Manager and R&D Supervisor of Chieftek Precision Co., Ltd.	Director of Chieftek Precision Co., Ltd. General Manager and R&D Supervisor of Chieftek Precision Co., Ltd.	Board Chairman and Chief Strategy Officer	CHEN LJ-FEN	Spouse	Note 4
Board Director	The Republic of China	LI AN	Female	June 22, 2017	3 year	June 16, 2016	782,030	1.32%	1,075,290	1.32%	0	0	0	0	Bachelor of Nutrition, Fu Jen Catholic University; Master of Nutrition, New York University; Master of Computer, University of Denver; Computer Engineer of NREL; Senior Computer Engineer of US West Inc.; Information Chief of Motech Industries Inc.	Director of Chieftek Precision Co., Ltd. Director of Deneng Sunshine Investment Co., Ltd,	Nil	Nil	Nil	
Board Director	The Republic of China	WANG CHEN PI-HSIA	Female	June 22, 2017	3 years	December 30, 2004	450,350	0.76%	557,335	0.69%	55,333	0.07%	0	0	Provincial Tainan Girls' Senior High School Chairman of Yucheng Starch Co., Ltd. Director of Deyuan Management Consulting Co., Ltd, Supervisor of ST&T Electric Corp	Director of Chieftek Precision Co., Ltd. Chairman of Yucheng Starch Co., Ltd. Director of Deyuan Management Consulting Co., Ltd, Supervisor of ST&T Electric Corp. Investments Co., Ltd.	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Board Director	The Republic of China	CHENG SHENG-FEN	Male	June 22, 2017	3 years	December 30, 2004	375,445	0.64%	554,736	0.68%	783,659	0.97%	0	0	Master of Mechanical Engineering of National Taiwan University, Assistant Manager of Jianxing Electronics Co., Ltd and Vice-General Manager of A-OPTRONICS Co., Ltd.	Director of Chieftek Precision Co., Ltd.	Nil	Nil	Nil	
Independent Director	The Republic of China	HO MING-ZIH	Male	June 22, 2017	3 years	June 22, 2017	0	0	0	0	0	0	0	0	Bachelor of Engineering, National Cheng Kung University Master of Electrical Engineering, Texas A&M University Doctor of Electrical Engineering, Texas A&M University Researcher of Research headquarters, Ritek Corporation Assistant Professor of Engineering, National Cheng Kung University Associate Professor of Engineering, National Cheng Kung University	Associate professor of Engineering, National Cheng Kung University Independent Director of Chieftek Precision Co., Ltd.	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Independent Director	The Republic of China	WEI NAI-CHAN G	Male	June 22, 2017	3 years	June 17, 2011	0	0.04%	0	0.04%	0	0	0	0	Master of National Chiao Tung University Institute of Business & Management Audit Team Leader of PwC Taiwan Accounting Officer of Foresight Energy Technologies Development Co., Ltd, Accountant and Administration Manager of Taiwan Intervet Animal Drug Co., Ltd CFO of Ambit Microsystems, Vice-General Manager of Clevo Co. Management Center	Director of Chieftek Precision Co., Ltd.	Nil	Nil	Nil	
Independent Director	The Republic of China	WU CHUN G-JEN	Male	June 22, 2017	3 years	June 17, 2011	21,384	0.04%	29,403	0.04%	0	0	0	0	Doctor of Chemical Engineering of National Cheng Kung University Researcher of Industrial Technology Research Institute Chemical Laboratories Project Manager of National Cheng-Kung University	Independent Director of Chieftek Precision Co., Ltd. Chairman of CHIH RO Enterprise Co., Ltd	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
															Incubation Center Vice Director of Technology Transfer & Business Incubation Center of National Cheng Kung University, Executive Manager of Incubator Center of Southern Taiwan Science Park Division Head of Legal & Intellectual Property General Division, ChungHwa Picture Tubes, LTD. Chairman of SUPLA Co., Ltd. Chairman of SUPLA Bioplastics Co., Ltd.					
Supervisor	The Republic of China	LI MEI	Female	June 22, 2017	3 years	June 20, 2012	393,941	0.67%	494,643	0.61%	0	0	0	0	JRJJ Food Nutrition Department, Deputy General manager of Shida Tongyun Co., Ltd (General Agent of Lufthansa Cargo) General Manager of SITA WORLD TRAVEL	Supervisor of Chieftek Precision Co., Ltd. Director of Yijihde Management Consulting Co., Ltd,	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note	
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation		
Supervisor	The Republic of China	TSENG HSU-WEN	Male	June 22, 2017	3 years	June 17, 2011	45,649	0.08%	155,167	0.19%	0	0	0	0	Bachelor of National Cheng Kung University Department of Business Administration and Director of General Manager Room Planning Group of Teco Electric Machinery Co., Ltd.	Supervisor of Chieftek Precision Co., Ltd.		Nil	Nil	Nil	

Note 1: Board directors and supervisors of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery(Kunshan) Co., Ltd., Chieftek Machinery Kunshan Co., Ltd., CSM Maschinen GmbH and Chieftek Precision International LLC.

Note 3: First time as company director or supervisor, with no interruptions.

Note 4: Relevant Information if the company chairman and general manager or a similar position (superior manager) are the same person, spouses, or relatives of the first degree, reasoning, rationality, necessity, and countermeasures (such as if independent directors were added, over half of the directors should not hold a concurrent post as employee or manager) Director Chen, Li-Feng and General Manager Hsu, Ming-Che are spouses, and founded Chieftek Precision Co., Ltd. together, and not only do they have expertise of their own, they achieve their common life goals by establishing the company, helping Chieftek Precision Co., Ltd gradually grow stronger, and the husband and wife each has their specializations, their knowledge of the industry and operations is beneficial to the increase of the company's operating efficiency, creating maximum interest for the shareholders. In light of these matters, Chieftek Precision has taken the following steps to strengthen the board's supervising functions:

- (1) Three supervisors have been elected by the shareholders' meeting on June 17, 2011, more than two supervisors which is required by law, and additionally elected Mr. Tseng, Hsu-Wen as professional occupation supervisor.
- (2) Three supervisors have been elected by the shareholders' meeting on June 17, 2011, more than two Independent Directors which is required by law, with independent director Mr. Wei, Nai-Chang meeting the qualifications as "accounting or financial professional".
- (3) Over half of the fifth, sixth, and seventh board do not hold concurrent positions as employees or managers.
- (4) Expected to elect three independent directors at the 2020 regular shareholders' meeting, and establish an audit committee.
- (5) Slated to increase to four independent directors by the end of 2023 in accordance with regulations, to strengthen the audit committee's supervising functions.

2. Specialized knowledge and independence situation of board directors and supervisors:

April 30, 2020

Name	Whether having work experience with over 5 years and the following professional qualifications			Independence situations (Note)												Number of independent director concurrently occupied in other public offering companies
	Lecturer or above of public colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8	9	10	11	12	
CHEN LI-FEN			✓								✓	✓		✓	✓	Nil
HSU MING-CHE			✓								✓	✓		✓	✓	Nil
LI AN			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
CHENG SHENG-FEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
WANG CHEN PI-HSIA			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
HO MING-ZIH	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
WU CHUNG-JEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
WEI NAI-CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
KUANG HSI-HUI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
LI MEI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
TSENG HSU-WEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil

Notes: for each board director and supervisor meets the following conditions 2 years before election and during the tenure, tick “✓” in the box under the condition code:

- (1) Employees who don't belong to the company or its affiliated enterprises.
- (2) Board directors and supervisors who don't belong to the company or its affiliated enterprises (independent directors who belong to the company or its parent company, or the subsidiary for whom set according to the law or the law of local region not be subject to this limit).
- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose shareholding ranks top 10.
- (4) Not the spouse or relative within the second degree, or blood relatives within the third degree of managers listed in (1) or personnel listed in (2), (3).
- (5) Not directors who directly hold more than 5% of the total issued shares of the company, the top five shareholders, or directors, supervisors or employees of corporate shareholders who appoint representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)
- (6) Not directors, supervisors or employees of other companies with more than half of the shares that are on the board of directors of the company or have voting rights controlled by the same person (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent

company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)

- (7) Not directors and supervisors of other companies or organizations who are the same person or spouse with the company's chairman, general manager or equivalent (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)
- (8) Not directors, supervisors, managers or shareholders holding more than 5% of shares in specific companies or institutions that have financial or business dealings with the company (However, if a specific company or institution holds more than 20% of the total issued shares of the company, but not more than 50%, and if the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations serve concurrently, they are not limited to this)
- (9) Not professionals, sole proprietorships, partnerships, companies or business owners, partners, directors, supervisors, managers of institutions and their spouses that provide audits for companies or related companies or have business, legal, financial, accounting and other related services whose cumulative amount of remuneration in recent two years has not exceeded NT \$ 500,000. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
- (10) Do not have the relationship of spouse or the second degree of kinship with other board directors.
- (11) Do not have any of various situations in Article 30 of the Company Act.
- (12) Do not have the situation that government, legal person or his representative is elected as stipulated in Article 27 of the Company Act.

III. Principal shareholder of corporate shareholder: no such situation.

IV. As to that principal shareholder of corporate shareholder is legal person, its principal shareholders: No such situation.

(II) Information on General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch

April 30, 2020

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Chief Strategy Officer	The Republic of China	CHEN LI-FEN	Female	October 19, 1998	3,653,107	4.50%	5,579,338	6.87%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University, Alumni Association of The National Tainan Girls Senior High School	Chief Strategy Officer of Chieftek Precision CO., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Board Director of Ever Advanced Precision Technologies Co., Ltd., Chairman of Zhenshanmeihui Investment Co., Ltd, Board Director of Sunshine Bio Technology Co., Ltd, Chairman of Sijujia Food Co., Ltd., Chairman of Guirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Founding President of National Cheng Kung University Innovation & Incubation Tainan Traditional Chinese Cultural College Foundation (Note 2)	General Manager and R&D Supervisor	HSU MING-CHE	Spouse	Note 3
General Manager and R&D Supervisor	The Republic of China	HSU MING-CHE	Male	October 19, 1998	5,579,338	6.87%	3,653,107	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart	Nil	Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse	Note 3
Vice-General Manager of Domestic Business Department	The Republic of China	CHEN MIN-CHANG	Male	March 12, 2014	7,816	0.01%	0	0	0	0	WYGL Textile Machinery Department; Manager of Domestic Business Department of Chieftek Precision CO., Ltd.	General Manager of CHIEFTEK Machinery (Kunshan) Co., Ltd	Nil	Nil	Nil	
Assistant Manager of International Sales Department	The Republic of China	PENG CHUNG-YIN	Female	December 17, 2010	510,037	0.63%	0	0	0	0	German Department of Universität Trier	Assistant Business Manager of CPC Europa GmbH	Nil	Nil	Nil	

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Chief Financial Officer	The Republic of China	LI PAI-TSANG	Male	June 8, 2012	2,219	0%	0	0	0	0	NCKU Department of Accountancy; Financial Manager of Univacoco Technology Inc.	Supervisor of CHIEFTEK Machinery(Kunshan) Co., Ltd	Nil	Nil	Nil	
HR manager	The Republic of China	YEH CHING-CHING	Female	July 7, 2011	506,889	0.62%	0	0	0	0	German Language Teaching Department of Universitat Trier	Nil	Nil	Nil	Nil	
Manager of Linear Motor Product	The Republic of China	WU HSUAN-CHUN	Male	March 31, 2015	0	0%	0	0	0	0	National Cheng Kung University, Department of Mechanical Engineering; Linear Motor Section Manager of Chieftek Precision CO., Ltd.	Nil	Nil	Nil	Nil	
Manager of Domestic Business Department	The Republic of China	Shen DONG-YI	Male	August 03, 2011	40,580	0.05%	0	0	0	0	Department of Business Administration, Far East University	Nil	Nil	Nil	Nil	
Manager of Accounting Department	The Republic of China	WU CHIA-YUNG	Female	January 01, 2019	0	0%	0	0	0	0	Bachelor of Department of Accounting Information, Shih Chien University Assistant manager of Deloitte Touche Union Accountants firm	Nil	Nil	Nil	Nil	
Audit Supervisor	The Republic of China	CHENG HSU-YUEH	Female	September 24, 2010	0	0%	0	0	0	0	Department of Accounting Information of Kun Shan University of Technology; Chief Accountant of Catcher Technology Co., Ltd.; Financial Attache of Xinchichang Metal Co., Ltd; Auditor of Haoji Certified Public Accountants	Nil	Nil	Nil	Nil	

Note 1: General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., CPC Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery (Kunshan) Co., Ltd, CSM Maschinen GmbH and Chieftek Precision International LLC, etc.

Note 3: Company chairman Chen, Li-Feng and general manager Hsu, Ming-Che are spouses or relatives within the first degree, its reasoning, rationality, necessity, and countermeasures, please view the details in 2. Information of Directors, Supervisors, General Manager, Deputy General Manager, Assistant-General Manager and Heads of Each Department and Each Branch: (1) Board directors and supervisors: Note 4.

(III) Remuneration paid to Director (including Independent Director), Supervisor, General Manager and Vice-General Manager in the Most Recent Fiscal Year
 1. Remuneration paid to Director (including Independent Director)

Unit: NT\$ thousand dollar/share in thousand

Job Title	Name	Director's remuneration				Remuneration received by employee concurrently served			Proportion of total amount of the first seven items (A, B, C, D, E, F and G) in profit after tax (%)		Whether receiving the remuneration from re-investment beyond the subsidiary company										
		Remuneration (A)		Resignation retirement pay (B)		Director's remuneration (C)		Business execution cost (D)		Proportion of total amount of A, B, C and D in profit after tax (%)											
		The company financial reports	All companies in the financial reports	The company financial reports	All companies in the financial reports	The company financial reports	All companies in the financial reports	The company financial reports	All companies in the financial reports	The company financial reports		All companies in the financial reports									
Chairman and Chief Strategy Officer	CHEN LI-FEN	0	0	0	0	2,688	2,688	156	156	1.63%	1.63%	8,824	8,824	0	0	8.29%	8.29%	0.96%	0.96%	Nil	
Board Director, General Manager and R&D Supervisor	HSU MING-CHE	0	0	0	0	2,688	2,688	156	156	1.63%	1.63%	8,824	8,824	0	0	8.29%	8.29%	0.96%	0.96%	Nil	
Board Director	LI AN																				
Board Director	CHENG SHENG-FEN																				
Board Director	WANG CHEN PI-HSIA																				
Independent Director	HO MING-ZIH																				
Independent Director	WU CHUNG-JEN	0	0	0	0	1,072	1,072	150	150	0.70%	0.70%	450	450	0	0	0.96%	0.96%	0.96%	0.96%	Nil	
Independent Director	WEI NAI-CHANG																				

Note 1: Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks and time invested:
 (1) According to the provisions of one of Articles 16, 19 and 21 of the company's articles of association, the board of directors shall agree on the degree of participation and contribution of the directors and supervisors to the company's operations, and refer to industry standards.

Note 2: It refers to subscribed shares (excluding the executed part) on employee stock option certificates that board directors with additional post of employees (including general manager, deputy general manager, other managers and employees) gain as of the date of annual report print.
 (2) Distribute directors and supervisors for compensation at a profit not less than 3% in the current year

Note 3: The Company provide a vehicle to CHEN LI-FEN, Chairman and Chief Strategy Officer, Annual rental cost paid in 2019 is 617 thousand, fuel expense is around 17 thousand.

Note 4: The Company provide a vehicle to HSU MING-CHE, Board Director and concurrently occupied of General Manager and R&D supervisor. Annual rental cost paid in 2019 is 701 thousand, fuel expense is around 12 thousand.

Note 5: Proposed employee rewards and directors' remuneration in 2019 have been adopted by the decision of the Compensation Committee and board of directors' meeting.

Note 6: Remuneration and salary are calculated by salary and meal allowance.

Note 7: Business execution fee means traffic allowance.

Remuneration Interval Table

1-1 Board Directors:

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C+D)		The amount of remuneration of the first four items (A+B+C+D)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$1,000,000 dollars	CHEN LI-FEN, HSU MING-CHE, LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA	CHEN LI-FEN, HSU MING-CHE, LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA
NT\$1,000,000 dollars (included) ~NT\$2,000,000 dollars (excluding)	0	0	0	0
NT\$2,000,000 dollars (included) ~NT\$3,500,000 dollars (excluding)	0	0	0	0
NT\$3,500,000 dollars (included) ~NT\$5,000,000 dollars (excluding)	0	0	0	0
NT\$5,000,000 dollars (included) ~NT\$10,000,000 dollars (excluding)	0	0	CHEN LI-FEN, HSU MING-CHE	CHEN LI-FEN, HSU MING-CHE
NT\$10,000,000 dollars (included) ~NT\$15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included) ~NT\$30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 dollars (included) ~NT\$50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included) ~NT\$100,000,000 dollars (excluding)	0	0	0	0
>NT\$100,000,000 dollars	0	0	0	0
In total	5 persons	5 persons	5 persons	5 persons

1-2 Independent Directors

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C+D)		The amount of remuneration of the first four items (A+B+C+D)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$1,000,000 dollars	WU CHUNG-JEN, WEI NAI-CHANG, HO MING-ZIH	WU CHUNG-JEN, WEI NAI-CHANG, HO MING-ZIH	WU CHUNG-JEN, WEI NAI-CHANG and HO MING-ZIH	WU CHUNG-JEN, WEI NAI-CHANG, HO MING-ZIH
NT\$1,000,000 dollars (included) ~NT\$2,000,000 dollars (excluding)	0	0	0	0
NT\$2,000,000 dollars (included) ~NT\$3,500,000 dollars (excluding)	0	0	0	0
NT\$3,500,000 dollars (included) ~NT\$5,000,000 dollars (excluding)	0	0	0	0
NT\$5,000,000 dollars (included) ~NT\$10,000,000 dollars (excluding)	0	0	0	0
NT\$10,000,000 dollars (included) ~NT\$15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included) ~NT\$30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 dollars (included) ~NT\$50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included) ~NT\$100,000,000 dollars (excluding)	0	0	0	0

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C+D)		The amount of remuneration of the first four items (A+B+C+D)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
>NT\$100,000,000 dollars	0	0	0	0
In total	3 persons	3 persons	3 persons	3 persons

2. Remuneration of supervisors

Unit: NT\$ in thousand

Job Title	Name	Remuneration of supervisors						Proportion of total amount of the first three items (A, B and C) in profit after tax (%)		Remuneration received from non-subsidiary reinvestment business or parent company
		Remuneration(A)		Remuneration(B)		Business execution fee (C)		The company	All companies in the financial reports	
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports			
Supervisor	KUAN HIS-HUI (Note 2)	0	0	740	740	78	78	0.47%	0.47%	Nil
Supervisor	LI MEI									
Supervisor	TSENG HSU-WEN									

Note 1: Business execution fee means traffic allowance.

Note 2: The Company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family.

Remuneration Interval Table

Interval of remuneration paid to each supervisor of the company	Names of supervisors	
	Total amount of remuneration of the first three items (A+B+C)	
	The company	The company
<NT\$1,000,000 dollars	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI
NT\$1,000,000 dollars (included) ~ NT\$2,000,000 dollars (excluding)	0	0
NT\$2,000,000 dollars (included) ~ NT\$3,500,000 dollars (excluding)	0	0
NT\$3,500,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	0	0
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars (included) or above	0	0
In total	3 persons	3 persons

3. Remuneration of General Managers and Deputy General Managers

Unit: NT\$ in thousand

Job Title	Name	Salary(A)		Resignation retirement pay(B)		Bonus, extraneous charges, etc.(C)		Employee rewards(D)				Proportion of total amount of the first four items (A, B, C, D) in profit after tax (%)		Remuneration received from non-subsidiary reinvestment business or parent company
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company		All companies in the financial reports		The company	All companies in the financial reports	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General manager	HSU MING-CHE													
Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG	6,449	7,140	0	0	591	591	2,240	0	2,240	0	5.31%	5.71%	Nil

Remuneration Interval Table

Interval of remuneration paid to each general manager and deputy general manager of the company	Names of general managers and vice-general managers	
	The company	All the companies in the Financial reports(E)
<NT\$1,000,000 dollars	0	0
NT\$1,000,000 dollars (included) ~ NT\$2,000,000 dollars (excluding)	0	0
NT\$2,000,000 dollars (included) ~ NT\$3,500,000 dollars (excluding)	0	0
NT\$3,500,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	CHEN MIN-CHANG	CHEN MIN-CHANG
NT\$5,000,000 dollars (included) ~ 10,000,000 dollars (excluding)	HSU MING-CHE	HSU MING-CHE
NT\$10,000,000 dollars (included) ~ 15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included) ~ 30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included) ~ 50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included) ~ 100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars or above	0	0
In Total	2 persons	2 persons

4. Name and Distributed Status of the Manager Who Distributed the Employee's Remuneration

April 30, 2020; Unit: NT\$ in thousand

	Job Title	Name	Stock amount	Cash amount	In total	Proportion of total amount in profit after tax (%)
Manager	Chief Strategy Officer	CHEN LI-FEN	0	4,800	4,800	2.75%
	General Manager and R&D Supervisor	HSU MING-CHE				
	Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG				
	Assistant Manager of International Sales Department	PENG CHIUNG-YIN				
	Chief Financial Officer (Financial and Accounting Manager)	LI BUO-TSANG				

(IV) Compare and explain the analysis of the ratio of the total remuneration of the company and all companies in the consolidated statements to the directors, supervisors, general managers and deputy general managers of the company in the net profit after tax of the individual or individual financial reports, and explain the policy of remuneration, standards and portfolios, remuneration procedures and the relationship between operating performance and future risks:

1. Analysis of the ratio of the total remuneration paid by the company and all companies in the consolidated reports to the directors, independent directors, supervisors, general managers and deputy general managers of the company to the net profit after tax of the individual financial reports in the last two years:

Summary	2019		2018	
	Proportion in profit after tax (%)		Proportion in profit after tax (%)	
	The company	All companies in the Financial reports	The company	All companies in the Financial reports
Board Director	8.29%	8.29%	5.61%	5.61%
Independent Director	0.96%	0.96%	0.73%	6.73%
Supervisor	0.47%	0.47%	0.62%	0.62%
General Manager and Vice-general Manager	5.31%	5.71%	3.22%	3.39%

2. Remuneration policies, standards and portfolios, the procedure for determining remuneration of the company, and its linkage to operating performance and future risk exposure:

- (1) Remuneration policy of board directors, independent directors, supervisors, general manager and deputy general manager of the company:

Implemented in accordance with Articles 16, 19, and 21-1 of the Articles of Association, the details are below:

Article 16: The directors and supervisors of the company are allowed to receive remuneration such as transportation fees and salaries. The remuneration of

the board of directors authorizes the board of directors and supervisors to agree on the degree of participation and contribution of the directors and supervisors to the operation of the company, and to negotiate in accordance with industry standards

Article 19: The company may have a manager, and its appointment, termination and remuneration shall be handled in accordance with the provisions of Article 29 of the Company Act

Article 21-1: The company shall distribute the employees' remuneration from 3% to 15% of the current year's profit status and the directors and supervisors from the current year's profit status of not more than 3%. But the company should make up for the accumulated losses

Employee compensation can be paid in cash or stock, and the recipients of cash or stock can include employees of subordinate companies that meet certain conditions, which are determined by the board of directors.

The profit status of the year refers to the current year's pre-tax benefits before deducting the distribution of employees' compensation and the benefits of directors and supervisors' compensation.

(2) Remuneration standards and portfolios for board directors, independent directors, general managers, and deputy general managers

(1) Remuneration standards and structure for board directors and supervisors	
Remuneration of directors and supervisors	Distribute remuneration for directors and supervisors by no more than 3% of the fiscal year's profitability
Salary	1. Normal directors and supervisors do not have monthly salaries. 2. Independent directors have a monthly salary of NT\$ 10,000.
Transportation Fee	Receive a transportation fee of NT\$ 6,000 from each board meeting attendance
(2) Remuneration System, Standards and Structure for Managers	
Basic Monthly Salary	Refer to the company's salary and remuneration for the same position in recent years
Monthly Manager Bonus	Standard payment according to the company position's compensation
Year-End Bonus	According to the company's annual surplus status assessment, the payment is calculated based on the base of salary in accordance to the method for other employees
Employee Remuneration	If the company has a profit for the year, it should reserve the loss in advance, and the employee should be paid 3% to 15% of the profit of the current year from the balance.
Pension	The method of accounting for the total pension benefits in accordance with the provisions of the Pension Management Committee

(3) Remuneration payment determination procedure for directors, supervisors, general managers and deputy general managers:

- A. The Remuneration Committee considers and approves the proposal for the remuneration policy and system for directors, supervisors, general managers and deputy general managers, and submits to the board of directors for resolution and implementation
- B. The Remuneration Committee reviews and approves the performance evaluation system for directors, supervisors, general managers and deputy general

managers, and regularly assesses and evaluates individual business performance as a reference for remuneration

- (4) Relevance of directors, independent directors, supervisors, general managers and deputy general managers' remuneration to operating performance and future risks
- A. Remuneration payment varies according to the degree of participation and contribution value of each director, independent director, supervisor, general manager and deputy general manager to the company
 - B. The remuneration of directors and supervisors and employees in the remuneration structure are directly related to operating performance
 - C. Before the start of the operating year, propose the remuneration of directors and supervisors and employees according to profitability, submit to the general manager and chairman to approve a fixed amount. After the end of the year, the individual distribution amount is determined according to the degree of personal participation in the company's operation and contribution value, and the achievement rate of performance goals.

III. Status of the Company's implementation of corporate governance

- (I) Information of operation and situation of the board of directors: 7 meetings (A) were held by the board of directors in 2019, and attendance situation of board directors and supervisors is as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A)	Remark
Chairman	CHEN LI-FEN	7	0	100.00%	
Director	HSU MING-CHE	7	0	100.00%	
Director	LI AN	6	0	85.71%	
Director	WANG CHEN PI-HSIA	7	0	100.00%	
Director	CHENG SHENG-FEN	7	0	100.00%	
Independent Director	HO MING-ZIH	7	0	100.00%	
Independent Director	WEI NAI-CHANG	7	0	100.00%	
Independent Director	WU CHUNG-JEN	6	1	85.71%	
Supervisor	KUANG HSI-HUI	1	0	100.00%	Note 1
Supervisor	LI MEI	7	0	100.00%	
Supervisor	TSENG HSU-WEN	7	0	100.00%	
Note 1 : The company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family matters.					

Other Essential Matters:

I. Should the following situations occur in the board's operations, the board meeting's date, period, motion contents, the independent directors' opinions and the board's response:

(I) Items listed under Item 3, Article 14 of Securities Exchange Act:

1. On January 25, 2019, the Board of Directors discussed the "proposal for 2018 fiscal year-end bonus distribution of managers reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
2. On January 25, 2019, the Board of Directors discussed the "proposal for 2018 fiscal year Remuneration Projects and Related Regulations of Managers". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
3. On May 2, 2019, the Board of Directors discussed the "proposal for manager's allotment of the employees' remuneration of 2018 fiscal year reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
4. On May 2, 2019, the Board of Directors discussed the "proposal for Directors and Supervisors' Remuneration of 2018 fiscal year reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
5. On January 17, 2020, the Board of Directors discussed the "proposal for 2019 fiscal year-end Bonus of the Managers reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
6. On January 17, 2020, the Board of Directors discussed the "proposal for the manager's remuneration and related regulations of 2019 fiscal year". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
7. On April 28, 2020, the Board of Directors discussed the "proposal for Directors and Supervisors' Remuneration of 2019 fiscal year reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
8. On April 28, 2020, the Board of Directors discussed the "proposal for manager's allotment of the employees' remuneration of 2019 fiscal year reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.

(II) Other resolution matters of the board of directors that independent directors hold the objection or reservations and have related record or written statement.

The decisions of the independent directors at the 2019 Board of Directors are summarized as follows (For details, please refer to (11) Important Resolutions of the Shareholders' Meeting and the Board of Directors for the recent fiscal year and as of the date of publication of the annual report):

1. Independent director's opinion: Nil.
2. The company's handling of the opinions of independent directors: Nil.
3. Results of the resolution: All attending the independent directors agreed to pass.

II. As for implementation situation that board directors avoid the proposal in which they have a stake, items like director's name, motion content, reasoning for avoidance and voting participation situation shall be detailed:

- (1) Except for the items listed in Article 14-3 of the (1) Securities and Exchange Act above, all directors present agreed to pass
- (2) It shall refer to sub item 1 of the first item.

III. Public companies should disclose information such as the board's self (and peer) evaluation's assessment cycle and period, range, method, and content

Assessment Cycle	Assessment Period	Assessment Range	Assessment Method	Assessment Content
Once every year	January 1, 2019 to December 31, 2019	The Board	The Board's Internal Assessment	The level of participation in the company's operations, the quality of the board's decisions, the composition and structure of the board, the selection and continuous training of directors, and internal control
		Individual Board Members	Board Members' Self Evaluation (or peers) Assessment	The company's objectives and tasks, the recognition of directors' responsibilities, the degree of participation in the company's operations, internal relationship management and communication, the professional and continuous training of directors, internal control, etc.

IV. Objectives to enhance the function of the board of directors (such as setting audit committee and promoting information transparency) in the current year and in the most recent fiscal year and related execution situation evaluation:

- (I) The Company has set the Remuneration Committee to assist in its responsibility execution of the board of directors;
- (II) Article 13 of the Articles of Association stipulates: the company shall set an Audit Committee in accordance with the regulations of Securities Exchange Act; the Audit Committee shall be composed of the whole independent directors, whose number shall be not less than 3, and at least 1 person should have accounting or financial expertise; function and power execution, organizational rules and other observable matters of the Audit Committee shall be handled according to relevant statutes or the company regulations; the company is due to establish a Audit Committee after the re-election of the 2020 Board of Directors to strength the board's functions, and further set various functional committees in accordance with Articles of Association, so as to perfect the decision-making function and strengthen the management mechanism.
- (III) According to the annual audit plan, the audit supervisor performs internal control audit operations on the financial and business conditions, and submits a summary report of the last month's verification of missing deficiencies and improvements and tracking to the three independent directors and supervisors in writing before the end of the next month. Independent directors and supervisors can also direct case audit reports based on the need for missing circumstances
- (IV) The communication between the independent directors and the internal audit supervisors or accountants (such as the methods, matters and results on the Company's financial reports and financial and business conditions) is disclosed on the Company's website?
 - 1. The internal audit supervisor of the Company regularly reports the internal audit report to the independent directors, and the independent directors have no dissent.
 - 2. The internal audit supervisor is present at the board of directors and reports the auditing results of the internal audit to the independent directors. The supervisors have no dissent.
 - 3. When an independent director attends the board of directors, he or she will directly consult with the accountant. If necessary, he or she must contact the accountant directly to communicate with the financial condition.
 - 4. Disclosed on the Company's website in due course.

(V) Improvement of information transparency

1. After each directors board meeting is held, important resolutions of the board of directors shall be handled for announcement and regularly updated on the company website according to relevant regulations.
2. The Company has established a performance appraisal system for the Board of Directors. On February 9th, 2018, the Board of Directors discussed and approved the “Measures for the Performance Appraisal of the Board of Directors”, and completed the performance evaluation of the internal board of directors for the 2019 fiscal year in January 2020, and disclosed it on the company website. An internal board performance appraisal should be performed at least once a year, and a performance appraisal should be performed every three years by an external professional independent institution or a team of external experts and scholars.

(IV) In order to increase the protection of directors, the directors and supervisors’ responsibilities are rationalized through the insurance of directors and supervisors’ liability insurance. The company has insured liability insurance for directors, supervisors and important staff, with an insurance amount of 1 million dollars; the insurance period is from November 6th, 2019 to September 26th, 2020, and submit the report of the board of directors on November 26, 2019.

V. Communication between the independent directors, internal audit supervisors, and accountants (should include items, methods, and results of communication regarding the company’s finance and operation)

(1) Communication between the independent directors and audit supervisors:

1. In accordance with the annual audit plan, the audit supervisor performs internal control audit operations on the financial and business conditions, and submits a summary report of the last month’s inspections of missing deficiencies and improvements and tracking to the three independent directors for review before the end of the following month, independent directors can also direct case audit reports according to the need of deficiencies
2. The audit supervisor regularly reports the implementation of the newest audit plans to the board, the major items of communication are listed in the form below:

Date	Communication Points	Opinions of opposition or reservation from the board
January 21, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of December 2018 (summary of internal audit report)	None
March 12, 2019	1. Discussion of “Internal Control System Effectiveness Assessment” and “Internal Control System Statement” 2. Audit Business Implementation and Deficiency Improvement Tracking Report of January and February, 2019 (summary of internal audit report)	None
May 2, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of March 2019 (summary of internal audit report)	None
June 12, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of April and May 2019 (summary of internal audit report)	None

August 7, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of June and July 2019 (summary of internal audit report)	None
November 6, 2019	1. Audit Business Implementation and Deficiency Improvement Tracking Report of August and September 2019 (summary of internal audit report) 2. Passed the stipulation of the “2020 Audit Plan”	None
November 22, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of October 2019 (summary of internal audit report)	None
January 17, 2020	Audit Business Implementation and Deficiency Improvement Tracking Report of November and December 2019 (summary of internal audit report)	None
March 11, 2020	Audit Business Implementation and Deficiency Improvement Tracking Report of January 2020 (summary of internal audit report)	None
April 28, 2020	Audit Business Implementation and Deficiency Improvement Tracking Report of February and March 2020 (summary of internal audit report)	None

(2) The company’s board of directors and supervisors (including independent directors) and the CPA have a smooth communication channel. In addition to the communication letter with the governance unit when the annual review plan are completed, the CPA holds a face-to-face seminar after the regular quarterly financial report review (reading) to communicate matters including the significant deficiencies of internal control recognized during the verification process, other communication items required by relevant laws and regulations, and the sharing of the latest laws and regulations.

In 2019, up to the date of publication of the annual report, the main communication issues with the accountants through the forum are excerpted as follows:

Date	Communication Points	Communication results
March 12, 2019	1. The work scope and result report of the fourth quarter financial report in 2018. 2. This quarter’s financial status and operating performance results report. 3. Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions
May 2, 2019	1. The work scope and result report of the first quarter financial report in 2019. 2. This quarter’s financial status and operating performance results report. 3. laws and regulations of the season.	Bilateral questions and answers, positive interactions
August 7, 2019	1. The work scope and result report of the second quarter financial report in 2019. 2. This quarter’s financial status and operating performance results report. 3. Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions

November 6, 2019	1.The work scope and result report of the third quarter financial report in 2019. 2.This quarter’s financial status and operating performance results report. 3.Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions
March 11, 2020	1.The work scope and result report of the fourth quarter financial report in 2019. 2.This quarter’s financial status and operating performance results report. 3.Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions
April 28, 2020	1.The work scope and result report of the first quarter financial report in 2020. 2.This quarter's financial status and operating performance results report. 3.Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions

(II) Operation situation of audit committee or operation situation of supervisors’ participating in the board of directors:

1. Operation situation of audit committee: It is stipulated in the Articles of Association that the company shall set the audit committee; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise; the company is planning to formally establish the audit committee on June 8, 2020 after the regular shareholders’ meeting elects the independent directors, and further set various functional committees in accordance with the Articles of Association, so as to perfect the decision-making function and strengthen the management mechanism.
2. Operation situation of supervisors’ participating in the board of directors:
7 meetings (A) were held by the board of directors in 2019, and attendance situation is as follows:

Job Title	Name	Actual attendance time (B)	Actual attendance ratio (%) (B/A)	Remark
Supervisor	KUANG HSI-HUI	1	100.00%	Note 1
Supervisor	LI MEI	7	100.00%	
Supervisor	TSENG HSU-WEN	7	100.00%	

Note 1 : The company’s supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family matters.

Other essential matters:

1.The supervisor’s composition and duties:

(I) Communication of supervisors with employees and shareholders: the supervisors of the company attend the board of directors, regularly check the audit report, review the financial statements and check the internal control system of the company; the communication channel with the company employees and shareholders shall be unblocked.

(II) Communication between supervisors with the internal audit supervisor and CPA:

1. Communication between the company’s supervisor and internal audit supervisor:

(1) According to the annual audit plan, the audit supervisor performs internal control audit operations on the financial and business conditions, and regularly reports the audit execution status with the supervisor.

- (2) The audit report for each case closed shall be submitted to the supervisor for review and signature in writing before the end of the following month in a summary report of the last month's inspection of missing deficiencies and improvement of tracking and correction. The supervisor expressed positive opinions on the audit report and the follow-up report.
- (3) Both parties communicate and fully understand each other via email or telephone in real time, and the supervisor can also instruct the project audit at any time according to the needs of the situation.
- (4) In addition, the audit supervisor regularly reports to the board of directors on the monthly audit performance. The main communication items are summarized in the following table:

Date	Communication Points
January 21, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of December 2018 (summary of internal audit report)
March 12, 2019	1. Discussion of the 2018 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" 2. Audit Business Implementation and Deficiency Improvement Tracking Report of January and February, 2019 (summary of internal audit report)
May 2, 2019	Audit Business Implementation and Deficiency Improvement Tracking Report of March 2019 (summary of internal audit report)
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April 28, 2020	Audit Business Implementation and Deficiency Improvement Tracking Report of February and March 2020 (summary of internal audit report)

2. The supervisors of the company have good communication channels with the visa accountants. The visa accountants regularly hold seminars with the directors and supervisors of the company after the end of the financial report review (reading). The communication matters include the significant deficiency of internal control during the verification, Communication matters required by other relevant laws and regulations, and sharing of the latest laws and regulations.
For 2019 and as of the date of publication of the annual report, the communication points between the supervisor and the accountant through seminars are summarized in the following table:

Date	Communication Points	Communication results
March 12, 2019	1.The work scope and result report of the fourth quarter financial report in 2018. 2.This quarter's financial status and operating performance results report. 3.Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions
May 2, 2019	1.The work scope and result report of the first quarter financial report in 2019. 2.This quarter's financial status and operating performance results report. 3. Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions
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April 28, 2020	1.The work scope and result report of the first quarter financial report in 2020. 2.This quarter's financial status and operating performance results report. 3. Share the latest laws and regulations of the season.	Bilateral questions and answers, positive interactions

2. If the supervisor is present at the board of directors, if there is a statement, the date, period, content of the proposal, resolution of the board of directors and the company's handling of the supervisor' statement shall be stated:

Decisions of the Supervisor at the 108th annual board meeting (For details, please refer to (11) Important Resolutions of the Shareholders 'Meeting and the Board of Directors in the Recent Year and as of the date of publication of the annual report) is summarized as follows:

(1) Supervisor's opinion: None.

(2) The company'' handling of the supervisor' opinion: None.

(3) Resolution result: All directors present and independent directors agreed to pass.

(III) Operation situation of corporate governance and situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
I. Does the company formulate and discloses the Corporate Governance Best Practice based on “Corporate Governance Best Practice Principles for Listed Companies”?	V		The company has formulated the “Corporate Governance Codes” according to “Corporate Governance Best Practice Principles for Listed Companies”, including the provisions of guaranteeing the shareholder’s equity, enhancing of functions of the Board, taking advantages of supervisor’s functions, respecting stakeholder’s rights and benefits, and improving information transparency. For more details, please visit the corporate website (www.chieftek.com).	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
II. Corporate equity structure and shareholders’ equity (I) Does the company formulate the internal operation procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?	V		(I) The company has formulated related internal operation procedures such as the “Corporate Governance Code”, “Integrity Management Code”, “Prevention of Insider Transaction Management Measures” and “Code of Ethical Conduct” to handle the shareholders related matters. There are also spokesperson and agent spokesperson system, and the Chairman’s Office and the Financial Department are in charge of the related matters, so as to guarantee the timely and proper information disclosure. In addition, the special mailbox is set up to handle shareholder’s proposal, doubt, dispute and litigation affairs.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Does the company master the principal shareholders actually controlling the company and the final controller list of principal shareholders?	V		(II) The company has stock contractors responsible for handling related matters, and is assisted by a professional stock agency “Fubon Securities Co., Ltd.”, which can master the main shareholders and the final list of main shareholders and maintain good contact with them Relationship, and change situation of stock rights held by insiders including board directors, supervisors, managers and major shareholders holding 10% of shares	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
(III) Does the company establish and executes the risk control and firewall mechanism with the affiliated enterprise?	V		<p>is declared in MOPS as required by the competent authority in accordance with codes and regulations.</p> <p>(III) The company's internal control system covers enterprise-level risk management and operation-level operational activities, and has "Subsidiary Management Measures" to implement the risk control and firewall mechanism for subsidiaries</p> <p>Assets, finance and accounting of the Company and affiliated enterprise are operated independently, and the company formulates "Management on Transactions with Related Parties" handling related matters according to the regulations of the internal control system of the Company, and shall be able to really execute the risk control and firewall mechanism.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(IV) Does the company formulate the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market?	V		<p>(IV) The company formulates "Management Method to Prevent Insider Trading", "Ethics Codes" and other internal control methods to standardize all employees, managers, board directors, supervisors and all people knowing about the company information based on occupation or control relation and prohibit any behavior involving insider trading and irregularly makes internal training education and advocacy.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
<p>III. Composition and duties of the board of directors</p> <p>(I) Does the board of directors draft the diversification policy and implements it in terms of the member composition?</p>	V		<p>(1) The company has a board member diversity policy in the "Corporate Governance Code"</p> <p>1. The "Corporate Governance Codes" is carried out practically.</p> <p>2. Currently, all board members are specialists in various fields or personnel experienced in corporate businesses. It shall meet the</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>diversification policy of composition of the Board and implement it in practice.</p> <p>3. As required in Article 20 of the “Corporate Governance Codes”: The Board of the Company shall provide instruction for the corporate strategic, and supervision management level, which shall report to the Company and the shareholder’s meeting. In terms of various operations and arrangements related to corporate governance system, it shall ensure the Board to exercise rights based on the applicable laws, the regulations of the Articles of Association or the resolution of the shareholder’s meeting.</p> <p>As for the structure of the Board, it shall consider the business development scale of the company and the shareholding of the major shareholders, as well as the practical demands of operation, which shall determine the appropriate number of members more than 5.</p> <p>The composition of the Board shall consider diversification. The number of directors concurrently serving as the manager shall not exceed one third of the total number. Moreover, it shall formulate appropriate diversification policies based on the business, operation pattern and development demands, including but not limited to the standards of the following two dimensions:</p> <p>(1) Basic conditions and values: gender, age, nationality, culture, and etc.</p> <p>(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.</p>	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>The members of the Board shall acquire the knowledge, skills and character required to exercise the rights. To achieve the ideal goal of corporate governance, the overall Board shall possess the abilities as listed below:</p> <ol style="list-style-type: none"> (1) Operating adjustment. (2) Accounting and financial analysis (3) Business management (4) Crisis handling (5) Industrial knowledge (6) International market view (7) Leadership (8) Decision-making <p>The diversification policies of the board composition are disclosed on the official website of the Company and MOPS.</p> <p>4. The company amended articles of association through pass the board director meeting discussion on May 9, 2017: Since the company listed electronic method as one of voting execution, the candidate election of board director and supervisor perform through nomination election from candidate list by board of director.</p> <p>5. Assessing the members of the 7th board of directors of the company. The current board of directors of the company is composed of 8 directors, including 5 directors and 3 independent directors. The members have extensive experience and expertise in the fields of finance, business and management. In addition, the company also pays attention to the gender equality of the members of the board of directors. The female director ratio target is more than 25%. At present, 8 directors, including 3 female directors, have a ratio of 37.5%. Please refer to the description of nine in this section for relevant implementation situations</p>	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
(II) Does the company voluntarily set other functional committees apart from the Remuneration committee and Audit Committee?	V		(II) In order to improve the decision-making function and strengthen the management mechanism, the company has set up various functional committees in the charter, and the organizational rules of each committee are determined by the board meeting. In addition to the establishment of a remuneration committee in accordance with the law and an audit committee after the 2020 regular shareholders meeting, the company will also set up other functional committees at an appropriate time.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Does the company formulate the performance evaluation method and evaluation way of the board of directors, and regularly carries out performance evaluation each year?	V		(III) In order to implement corporate governance and enhance the functions of the company's board of directors, establish performance targets to enhance the efficiency of the board's operation, the company discussed and adopted the "Board Performance Evaluation Method" after discussion by the board of directors on February 9, 2018. 1. 2019 performance evaluation method adopts questionnaire self-evaluation method to conduct overall internal evaluation of the board of directors and self-evaluation of individual directors: (1) The measurement items of the board performance evaluation include: participation in the company's operations, improving the quality of the board's decision-making, composition and structure of the board, selection and continuous training of directors, and internal control. (2) The measurement items of the director members' self-performance evaluation include: mastering the company's goals and tasks, director's responsibilities,	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>participation in the company's operations, internal relationship management and communication, professional and continuous training of directors and internal control.</p> <p>2. Internal evaluation steps: In the first stage of internal board performance evaluation, individual directors self-assessed by questionnaire, and then submitted to the chairman for the second stage evaluation and overall board self-evaluation.</p> <p>3. 2019 Internal board performance self-assessment results:</p> <p>(1) Comprehensive comments on overall board performance evaluation: The overall operation of the board of directors is mostly in line with the spirit of corporate governance.</p> <p>(2) Self-assessment score results of directors: The self-assessment results of the director's questionnaire are between "agree" and "very agree". The average result is nearly full marks, which shows that the board is functioning well and will continue to strengthen the effectiveness of the board</p> <p>(3) Application of evaluation results: According to the company's "Board Self-assessment or Peer Evaluation Operation Method", the company will use the performance evaluation results of the board of directors as the reference basis for selecting or nominating directors; and the performance evaluation results of individual directors</p>	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
(IV) Does the company regularly evaluate the independence of certified public accountant?	V		<p>are used as the reference basis for determining their individual salary and remuneration.</p> <p>In the future, the performance evaluation of the internal board of directors should be performed at least once a year, and an external professional independent institution or a team of external experts and scholars should perform the performance evaluation once every three years.</p> <p>(IV) The company's accounting department assesses the independence of CPAs regularly on a yearly basis, and reports the evaluation results to the board of directors after obtaining the CPAs' "transcendental independence statement." Only after the company confirms that the accountant and the company have no other financial interests and business relationships except for certification and taxation expenses, and members of the accountant family do not violate the independence requirements, the accountant's appointment will be reviewed.</p> <ol style="list-style-type: none"> 1. To regulate the review of CPA appointment of the Company and build good corporate governance system, Article 29 of the "Corporate Governance Codes" of the Company shall be based to evaluate the independence of CPA and handle, enhance and promote financial report quality. 2. The company proceeds with the review and evaluation on independence elements, independence operation, competence and so on related to CPA LIN TZU-YU and CPA LIUYONG-ZHI. 	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies.

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			<p>3. All CPAs are appointed upon the resolution by the Board on March 11, 2020</p> <p>4. The CPA review and evaluation content are listed as below:</p> <table border="1"> <thead> <tr> <th colspan="2">I. Review of independence elements</th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith.</td> <td>V</td> <td></td> </tr> <tr> <td>02</td> <td>The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.</td> <td>V</td> <td></td> </tr> <tr> <td>03</td> <td>The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system.</td> <td>V</td> <td></td> </tr> <tr> <td>04</td> <td>The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years.</td> <td>V</td> <td></td> </tr> <tr> <td>05</td> <td>There is no key item of non-audit service provided by the Company that will show direct influence on the audit case.</td> <td>V</td> <td></td> </tr> <tr> <td>06</td> <td>The CPA or the members of the Audit Service Team is no engaged in the publicity or brokerage for the shares or other securities issued by the Company.</td> <td>V</td> <td></td> </tr> <tr> <td>07</td> <td>Except for the businesses permitted by laws, the CPA or the members of the Audit Service Team doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company.</td> <td>V</td> <td></td> </tr> <tr> <td>08</td> <td>The CPA or the members of the Audit Service Team has relationship of spouse, direct kinship, direct affinity or sub blood kinship within two degrees with the personnel who are appointed as the director or manager of the Company or take up the post that shows material influence on the audit case.</td> <td>V</td> <td></td> </tr> <tr> <td>09</td> <td>A former partner of CPA doesn't serve as the director or manager of the Company or take up the post that shows material influence on the audit case within one year of the disappointment.</td> <td>V</td> <td></td> </tr> <tr> <td>10</td> <td>The CPA or the members of the Audit Service Team doesn't accept valuable gifts or preferential treatment from the Company, the director, manager, or major stockholder.</td> <td>V</td> <td></td> </tr> <tr> <td>11</td> <td>The CPA is not employed by the client or the audit subject to take up a regular post with fixed payment or is appointed as director or supervisor.</td> <td>V</td> <td></td> </tr> <tr> <td>12</td> <td>Publicly listed companies: The CPA doesn't provide audit service for the Company for 7 consecutive years.</td> <td>V</td> <td></td> </tr> <tr> <td colspan="2">II. Review of independence operation</td> <td></td> <td></td> </tr> </tbody> </table>	I. Review of independence elements		YES	NO	01	The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith.	V		02	The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.	V		03	The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system.	V		04	The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years.	V		05	There is no key item of non-audit service provided by the Company that will show direct influence on the audit case.	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IV. Does the publicly listed company set up special (concurrent) unit or personnel responsible for the corporate governance related affairs (including not limited to providing the data required by the directors and supervisors to implement business, dealing with the matters related to the board meeting and shareholders' meeting, handling the corporate registration and change registration, making minutes of	V		On March 23, 2017, the board of directors discussed and approved the use of the Ministry of Finance as a full-time (part-time) unit for corporate governance. On May 2, 2019, the board of directors discussed and approved that CFO Lee,Bo-Tsang is the director of corporate governance, responsible for corporate governance-related matters, while cooperating with the chairman's office and various departments provide necessary assistance to protect shareholders'	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies																																												

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
board meeting and shareholders' meeting)?			<p>rights and strengthen the functions of the board of directors. Chief Financial Officer Lee, Bo-Tsang has more than three years of experience in the management of legal affairs and other public offering companies. The main responsibility of corporate governance personnel is to provide directors and supervisors with information required to execute business, assist directors and supervisors to comply with laws and regulations, and handle matters related to board of directors and shareholders' meetings in accordance with law.</p> <p>The business performance in 2019 is as follows:</p> <ol style="list-style-type: none"> 1. Assist independent directors and general directors to perform their duties, provide necessary information and arrange directors' further training: <ol style="list-style-type: none"> (1) Regularly notify the members of the board of directors regarding the revision and development of the latest laws and regulations related to the company's business field and corporate governance. (2) Review the level of relevant information confidentiality and provide company information required by directors to maintain smooth communication and communication between directors and business executives. (3) In accordance with the Corporate Governance Code of Conduct, independent directors meet with internal audit supervisors or visa accountants individually to understand the company's financial business needs and assist in arranging related meetings. (4) Assist independent directors and general directors in formulating annual refresher plans and arranging courses in accordance with the company's industrial characteristics, directors' academic and experience background. 	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>2. Assist the board of directors and shareholders in meeting procedures and resolution compliance matters:</p> <p>(1) Report to the board of directors, independent directors, and supervisors on the company's corporate governance operations and confirm whether the company's shareholders' meeting and directors' meeting comply with relevant laws and corporate governance codes.</p> <p>(2) Assist and remind the directors of the laws and regulations that should be observed when performing business or making a formal resolution of the board of directors, and make suggestions when the board of directors will make a illegal resolution.</p> <p>(3) After the meeting, it is responsible for reviewing the important information release matters of important resolutions of the board of directors, ensuring the legality and correctness of the content of the important information, so as to protect the investor's transaction information equivalence.</p> <p>3. Maintain investor relations: Arrange exchanges and communication between directors and major shareholders, institutional investors or general shareholders as necessary, so that investors can obtain sufficient information to evaluate and determine the reasonable capital market value of the enterprise, and protect shareholders' rights and interests.</p> <p>4. To draw up the agenda of the board of directors, notify the directors seven days ago, convene the meeting and provide meeting materials, and give advance reminders if the topic needs to be avoided, and complete the minutes of the board meeting within seven days after the meeting.</p> <p>5. Handle pre-registration of shareholders' meeting date in</p>	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>accordance with the law, prepare meeting notices, discussion manuals, and minutes of proceedings within the statutory time limit, and handle changes in registration by revising the articles of association or re-election of directors</p> <p>6. In order to implement corporate governance, regularly conduct the performance evaluation of directors and the overall board of directors.</p> <p>7. Added “Operating Procedures for Dealing with Directors’ Requests”.</p>	
V. Does the company establish the communication channel with the interested parties (including but not limited to the shareholders, employees, customers and suppliers), sets the interested party zone on the corporate website, and properly responds the corporate social responsibility issues concerned by the interested parties?	V		<p>The company establishes a spokesperson, agent spokesperson and investor relations liaison in accordance with the law, and sets up a stakeholder area on the company’s website to expose the channel information and contact information of complaints other than investors and properly respond to the concerns of stakeholders CSR issues. The company’s operations on issues of concern to stakeholders:</p> <p>1. Creditors: In addition to regularly providing sufficient financial information to the correspondent banks, and having someone in charge of communication and communication, the company’s operating and financial status will be fully and transparently disclosed.</p> <p>2. Customers: Frequent interactions with customers, in addition to regular visits by dedicated business leaders, and dedicated lines and the Internet to establish a customer relationship management system.</p> <p>3. Supplier: Committed to maintaining a harmonious relationship with third-party manufacturers, and achieving mutual benefit in the process of mutual learning and growth.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			<p>4. Investors: The company immediately publishes the information on the public information observatory and the company's website, and has a spokesperson and agent spokesperson mechanism. Investors who still feel insufficient about the information provided by the company or need more detailed understanding can use the dedicated line or e-mail contact.</p> <p>5. Government: Follow the laws and regulations, continue to operate, and actively give back to the society.</p> <p>6. Employees: The company maintains close relations with employees through communication channels such as labor-management meetings and grievance systems. Through good corporate culture, retain outstanding talents and work hard with employees.</p>	
VI. Does the company entrust the professional stock service agent to handle the affairs of shareholder meeting?	V		The company has entrusted the professional service agent-Fubon Securities Co., Ltd to handle the shareholders' meeting affairs and various share affairs of the company.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
VII. Information disclosure (I) Does the company set up the website, discloses the financial business and corporate governance information? (II) Does the company implement other forms of information disclosure (for instance, setting English website, assigning special person to take charge of collection and disclosure of corporate information, implementing spokesperson system, placing the corporate explanation meeting on the corporate website)?	V V		<p>(I) The company has set website (www.chieftek.com) to introduce the company, related financial business and corporate governance information.</p> <p>(II) The company's website has Chinese, English, and Japanese pages, as well as a spokesperson, agent spokesperson, and investor relations liaison, and a person is assigned to collect information about the company's finances, business, and corporate governance. It is detailed, correct, and timely Disclosure of the company's operating performance, operating conditions and major information, and the spokesperson and acting spokesperson will make a unified external statement and</p>	<p>Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies</p> <p>Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies</p>

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			expose the information on the company's website for the convenience of inquiries	
VIII. Does the company has other important information to help understand the corporate governance operation situation (including but not limited to rights and interests of employees, employee caring, investor relations, supplier relationship, right of interested party, study situation of board directors and supervisors, execution situation of risk management policy and risk measurement standard, execution situation of customer policy, situation of liability insurance purchased by the company for board directors and supervisors)?	V		<p>(I) Rights and interests of employees: with the establishment of healthy and safe work environment as the duty, the company abides by the corporate social responsibility policy and environmental and occupational health and safety regulations, implements emission reduction and energy saving, guarantees employee benefit and operation safety, and safeguards legitimate interest of employees according to the Labor Standard Law.</p> <p>(II) Employee caring: Measures like tidying work environment, guaranteeing personal safety, regularly implementing employees' health examination, arranging consultation of occupational physician are adopted, besides, employee life is enriched by welfare system and excellent educational training system, finally establishing a good relation with mutual trust and interdependence.</p> <p>(III) Investor relations: The company honestly discloses the company information according to the related regulations to ensure basic rights and interests of investors, fulfills its duty to shareholders, handles the suggestions of shareholders through the company spokesperson and agent spokesperson, sets "investors zone" on the company website to help investors understand the financial and business situation of the company, replies the questions of shareholders in detail, increases the communication with investors of professional institutes and promotes transparency of the company operation.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>(IV) Supplier relationships: The company exchanges experience with suppliers concerning environment, health, safety, enterprise social responsibility and other related issues, and maintain a smooth communication channel and good relationship with suppliers.</p> <p>(V) Rights of interested parties: The company discloses the company financial and business information according to regulations, besides, correspondent banks, creditors, employees, shareholders and other interested parties may understand the company operation situation through the company spokesperson and agent spokesperson. Moreover, it sets the “interested party zone” on the official website to disclose the channel and contact information for complaints made by others rather than the investors, and properly responds the enterprise social responsibility issues concerned by the interested parties.</p> <p>(VI) Study situation of board directors and supervisors: To implement the corporate governance system, the company actively notices board directors and supervisors of corporate governance information and study message, besides, the 6th session of board directors and supervisors have studied in accordance with “Practicable Main Points for Board Directors and Supervisors of Listed Companies”; please see the following table for detail.</p> <p>(VII) Execution situation of risk management policy and risk measurement standard:</p> <p>(1) The company’s major operational policies, investment cases, acquisition or disposal of assets, endorsement guarantees, capital</p>	

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>loans and other matters are evaluated and analyzed by the relevant authority and can only be implemented after the resolution of the board of directors is passed.</p> <p>(2) The Audit Office draws up and implements an annual audit plan based on the results of the risk assessment, and implements the supervision mechanism and controls various risks.</p> <p>(VIII) Execution situation of customer policy: The company maintains a stable and good relation with clients, attaches great importance to the customer satisfaction and takes the promotion of client value and competitive power as target. Apart from mastering and checking the delivery situation at any time and conducting real-time improvement, the company also regularly conducts the satisfaction survey for clients, striving to become the long-term partner of clients' career and creating a win-win result.</p> <p>(IX) The company purchased liability insurance for directors and supervisors: The company has purchased liability insurance for directors, supervisors and managers, and submitted a report of the board of directors on November 6, 2019.</p>	

10. The directors, supervisors and managers of the company participated in the training in 2019, and all the directors and supervisors have obtained the 6-hour training certificate. The training situation is as follows:

JOB TITLE	NAME	SPONSOR	REFRESHER COURSE	STUDY HOURS
Board Director	CHEN LI-FEN	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
Board Director	HSU MING-CHE	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
Board Director	CHENG SHENG-FEN	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax	3

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
Board Director	WANG CHEN PI-HSIA	Taiwan Corporate Governance Association	Management	
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Board Director	Li An	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Independent Director	HO MING-ZIH	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Independent Director	WU CHUNG-JEN	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Independent Director	WEI NAI-CHANG	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Supervisor	KUANG HIS-HUI	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Supervisor	LI MEI	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Supervisor	TSENG HSU-WEN	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
Chief Financial Officer	LI PAI-TSANG	Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		National Cheng Kung University	Ethical law seminar	3
		National Cheng Kung University	Advanced study for Accounting Supervisor	3
		National Cheng Kung University	The latest IFRS accounting bulletin seminar	3
		National Cheng Kung University	Corporate Governance (Corporate Social Responsibility) Seminar	3
Audit Manager	ZHENG XIU-YUE	Taiwan Corporate Governance Association	The 12th Taipei Corporate Governance Forum	6
		Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
		Taiwan Institute of Internal Auditor	Experience sharing of procurement audit	6
Corporate governance Supervisor	Lee PAI-TSANG	Securities and Futures Institute	Practice of procurement and produce cycle inspection process, and fraud audit food products	6
		Taiwan Corporate Governance Association	How Directors pay due attention and loyalty	6
		Taiwan Corporate Governance Association	Corporate governance and practical operation of the board of directors and functional committees	3
		Taiwan Securities Counter Trading Center	Briefing session on the publicity of the insider equity of the company	3
		Taiwan Corporate Governance Association	Taiwanese business global strategy	3
		Taiwan Corporate Governance Association	The analysis and decision-making application of financial information that directors and supervisors should understand	3
		Taiwan Financial Supervisory Commission	The 15th International Forum on Corporate Governance-Directors' Financial Reporting Obligations, Global Institutional Investors' Active Role Playing to Strengthen the Corporate Governance Ecology, the Application of Business Judgment Rules,	6

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			the Implementation of the Independent Director System, and the Implementation of Independent Director's Responsibilities	

IX. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year; propose the urgent matters and actions for the items not improved:

The Taiwan Stock Exchange Co., Ltd. Corporate Governance Center's third corporate governance evaluation results were specially awarded with the "Progress Award" for encouragement, and were ranked in the fourth, fifth and sixth corporate governance evaluation results. The distances are in the range of 6% to 20%. It can be seen that the company continues to work hard in the field of corporate governance, not only receiving the affirmation of the evaluation system, but also not receiving the items or measures that should be improved or should be prioritized.

In addition, the company has begun to study the improvement or priority enhancement items and measures for the evaluation indicators that have not been scored in the sixth corporate governance evaluation as follows

Unscored evaluation index	Improved or prioritized enhancements and measures
If the company pays dividends in the year under review, will it be paid within 30 days after the ex-dividend base date?	It is listed as a priority improvement plan and is expected to be released within 30 days after the ex-dividend benchmark date this year.
Does the company formulate a policy for diversification of board members and expose the implementation of the diversity policy on the company's website and annual report?	Improved, please refer to the table below.
Does the company have an audit committee that meets the requirements?	It is expected that the audit committee will be established after the shareholders complete the re-election of the board in 2020.
Does the company disclose in the annual report the reasons for the discussion and resolution of the Remuneration Committee and the company's handling of members' opinions?	Improved
Does the company disclose the communication of independent directors with internal audit supervisors and accountants (such as the methods, events and results of the company's financial reports and financial business status) on the company's website?	Improved
Has the company's board of directors performance evaluation measures been approved by the board of directors, clearly stipulating that the external evaluation shall be carried out at least every three years, and the evaluation shall be carried out in accordance with the time limit set by the method, and the execution status and evaluation results will be disclosed on the company's website or annual report?	1. The company discussed and passed the "Board Performance Evaluation Method" on February 9th, 2018, and stated in Article 3 of the "Board Performance Evaluation Method" that the implementation of the company's board performance evaluation shall be independent by external professionals every three years. Institutions or external teams of experts and scholars perform the assessment once and perform the performance assessment for the year at the end of the year. 2. The company's board of directors completed its 2019 self-assessment in early 2020 and disclosed it on the company's website.

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
Does the company build an information security risk management framework, formulate information security policies and specific management plans, and expose them on the company's website or annual report?			Improved	
Does the company refer to international human rights conventions to formulate human rights protection policies and specific management plans, and expose them on the company's website or annual report?			Improved	

Board Members' Diversification Implementation Situation

Core Diversification Items Directors' Name	Nationality	Gender	Hold Concurrent Corporate Posts	Basic Composition						Professional Background					
				50~60	61~70	71~80	Under 3 Years	3~9 Years	Over 9 Years	Industry	Financial	Marketing	Technology	Accounting	Information
CHEN, LI-FENG	Republic of China	F	✓		✓				✓	✓	✓				
HSU, MING-CHE	Republic of China	M	✓		✓				✓	✓			✓		
LI AN	Republic of China	F				✓		✓	✓	✓			✓		✓
WANG CHEN BI HSIA	Republic of China	F				✓		✓	✓	✓				✓	
CHENG, SHEN-FANG	Republic of China	M		✓				✓	✓			✓		✓	
HO, MING-ZI	Republic of China	M		✓			✓		✓				✓		
WEI, NAI-CHANG	Republic of China	M			✓			✓	✓	✓			✓	✓	
WU, CHUNG-REN	Republic of China	M		✓				✓	✓	✓			✓		

IV) If the Remuneration Committee is established, the Company must disclose its composition, duties and operation situation:

To perfect the corporate governance, enhance the remuneration management function of the board of directors, assist in executing and evaluating the remuneration of the company board directors and managers, the company set the Remuneration committee through the resolution of the board resolution on December 22, 2011, and passed the organizational rules of the Remuneration Committee. Composition, duties and operation situation of the v Committee are and follows

1. Information of Members of the Remuneration Committee (3rd term)

Identity (Note 1)	Conditions Name	Whether having work experience with over 5 years and the following professional qualifications			Independence situation (Note 2)								Number of independent director concurrently occupied in other public offering companies	Remark
		Lecturer or above of public and private colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8		
Independent Director	WEI NAI-CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	WU CHUNG-JEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	HO MING-ZIH	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: please respectively fill in board director, independent director or other in the column of identity.

Note 2: for the member who meets the following conditions 2 years before election and during the tenure, tick “✓” in the box under the condition code.

- (1) Not employees who belong to the company or its affiliated enterprises.
- (2) Not board directors and supervisors who belong to the company or its affiliated enterprises (independent directors who belong to the company or its parent company, or the subsidiary for whom set according to the law or the law of local region not be subject to this limit).
- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose shareholding ranks top 10.
- (4) Not the spouse or relative within the second degree, or blood relatives within the third degree of managers listed in (1) or personnel listed in (2), (3).
- (5) Not directors who directly hold more than 5% of the total issued shares of the company, the top five shareholders, or directors, supervisors or employees of corporate shareholders who appoint representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)
- (6) Not directors, supervisors or employees of other companies with more than half of the shares that are on the board of directors of the company or have voting rights controlled by the same person (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)
- (7) Not directors and supervisors of other companies or organizations who are the same person or spouse with the company’s chairman, general manager or equivalent (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited)
- (8) Not directors, supervisors, managers or shareholders holding more than 5% of shares in specific companies or institutions that have financial or business dealings with the company (However, if a specific company or institution holds more than 20% of the total issued shares of the company, but not more than 50%, and if the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations serve concurrently, they are not limited to this)
- (9) Not professionals, sole proprietorships, partnerships, companies or business owners, partners, directors, supervisors, managers of institutions and their spouses that provide audits for companies or related companies or have business, legal, financial, accounting and other related services whose cumulative amount of

remuneration in recent two years has not exceeded NT\$ 500,000. However, members of the Remuneration committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.

(10) Do not have any of various situations in Article 30 of the Company Act.

2. Duties of the Remuneration Committee

The committee shall follow the duties of good administrator, faithfully perform the following functions and power and submit the recommendations to the board of directors for discussion. As to the suggestion on salary and remuneration of supervisors which is submitted to the board of directors for discussion, it shall be subject to that the remuneration of supervisors is explicitly stipulated in articles of association or that the board of directors is authorized to handle by shareholder meeting:

- (1) Draft the proposal of remuneration of board directors, supervisors and managers and its regular evaluation report;
- (2) Draft and regularly review the performance evaluation of board directors, supervisors and managers;
- (3) Draft and regularly review the remuneration related policy, system, standard and structure of the company;
- (4) Other cases handed over and decided by the board of directors.

3. Information of operation situation of the Remuneration Committee

- (1) Remuneration Committee of the company includes 3 members.
- (2) Tenure of this term of members: the 3rd term was run from July 11, 2017 to June 21, 2020, 11 meetings (A) were held by the Remuneration Committee as of April 30, 2020. Qualification and attendance situation of the 3rd committee members are as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A)	Remark
Convener	WEI NAI-CHANG	11	0	100.00%	
Committee	WU CHUNG-JEN	9	2	82.00%	
Committee	HO MING-ZIH	11	0	100.00%	

Other matters that require reporting:

1. If the Board of Directors does not adopt or amend the suggestions of the Remuneration committee, it shall state the date, term, proposal content, resolution results of the Board of Directors and the Company's handling of the opinions of the Remuneration committee (such as the remuneration approved by the Board of Directors is better than the suggestions of the Remuneration committee, should explain the discrepancy and its reasons): None.
2. As for the resolutions of the Remuneration committee, if any member has objection or reservation and has a record or written statement, it shall state the date, term, proposal content, the opinions of all members and the handling of the members' opinions: None.

(3) Contents of the resolutions of the 1-3 meetings of the 3rd Remuneration Committee

1st Meeting of 2019- 2019.01.25			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Year-End Bonus Distribution for Managers in 2018	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.

2	Review managers' remuneration and relevant regulations in 2018	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2nd Meeting of 2019-2019.03.12			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Remuneration distribution for directors, supervisors, and employees in 2018	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
3rd Meeting of 2019-2019.05.02			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Remuneration distribution for directors and supervisors in 2018	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	Remuneration distribution for employees in 2018	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.

1st Meeting of 2020-2020.01.17			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Year-End Bonus Distribution for Managers in 2019	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	Review managers' remuneration and relevant regulations in 2019	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2nd Meeting of 2020-2020.03.11			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Remuneration distribution for directors, supervisors, and employees in 2019	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
3rd Meeting of 2020-2020.04.28			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Remuneration distribution for managers in 2019	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	Remuneration distribution for directors and supervisors in 2019	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
3	Amend some provisions of the company's "Remuneration Committee Organization Rules".	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.

(V) Social responsibility fulfillment: system and measures implemented and taken by the company for environmental protection, participation in community activities, social contribution, social service, social welfare, consumer rights & interests, human rights, safety & health and other social responsibility activities, and its fulfillment.

Evaluation Items	Operation Situation			Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes						
	Yes	No									
(I) Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓			<p>1. The company has developed the Code of Conduct of Enterprise Social Responsibility and Enterprise Social Responsibility Policy based on the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprise, which were approved by the board of directors in May 9, 2014 through discussion after submission. Moreover, the amendments of the Code of Conduct of Enterprise Social Responsibility and Enterprise Social Responsibility Policy was passed in the board meeting held on January 20, 2017. Also, the implementation effect of 2019 will report on the board meeting on March 11, 2020.</p> <p>2. The company conducts operation related risk assessment on environmental, social and corporate governance issues in accordance with the corporate social responsibilities materiality principle, and stipulate relevant risk management policies or strategies as follows:</p> <table border="1" data-bbox="710 1279 1257 2031"> <thead> <tr> <th>Major Issues</th> <th>Risk Assessment Items</th> <th>Risk Management Policies or Strategies</th> </tr> </thead> <tbody> <tr> <td>Environmental</td> <td>Environmental Protection</td> <td> <p>1.The company passed the ISO14001: 2015 version of the environmental management system. Its system calculates whether the internal and external issues and environmental risks of the company's environment are in compliance with China's regulations, international laws and ISO spirit.</p> <p>2.The company's environmental security policy is as follows:</p> <p>(1) It is necessary to provide a high-quality and maintain a healthy physical and mental working environment to achieve the goal of zero disasters and accidents.</p> <p>(2) To protect the environment, maintain natural ecology, save energy and reduce waste.</p> <p>(3) To comply with laws and regulations, implement risk</p> </td> </tr> </tbody> </table>	Major Issues	Risk Assessment Items	Risk Management Policies or Strategies	Environmental	Environmental Protection	<p>1.The company passed the ISO14001: 2015 version of the environmental management system. Its system calculates whether the internal and external issues and environmental risks of the company's environment are in compliance with China's regulations, international laws and ISO spirit.</p> <p>2.The company's environmental security policy is as follows:</p> <p>(1) It is necessary to provide a high-quality and maintain a healthy physical and mental working environment to achieve the goal of zero disasters and accidents.</p> <p>(2) To protect the environment, maintain natural ecology, save energy and reduce waste.</p> <p>(3) To comply with laws and regulations, implement risk</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
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Evaluation Items	Operation Situation			Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No			
				<p>management, prevent pollution, and implement 6S activities.</p> <p>(4) Environmental protection and safety are uninterrupted activities for all employees.</p> <p>3. Every year, environmental management goals and plans are set, and the progress of each goal is tracked and reviewed regularly to ensure that the goals are achieved.</p> <p>4. The Factory Affairs Division declares energy conservation and carbon reduction measures of the Energy Bureau in order to meet the progress of annual energy conservation requirements</p>	
			Social	<p>Occupational Safety</p> <p>The company has obtained OHSAS18001: 2007 Occupational Health and Safety Management System Certification, and its system is designed to carry out various industrial safety inspections and nuclear inspections of the company, and at the same time use SGS third verifier to check and further implement the occupational safety and health management system; Fire drills and industrial safety education and training and various industrial safety measures are held regularly every year to cultivate employees' emergency response and self-safety and sanitation management capabilities and to improve good and healthy workplaces.</p>	
				<p>Product Safety</p> <p>1. The company upholds a professional and innovative attitude, improves product efficiency and an honest and honest attitude to serve customers, and expects to provide customers with satisfactory products and services. Therefore, the company formulates standard customer complaint procedures, properly judges the responsibility to resolve the problem, and sets preventive measures to prevent similar problems from occurring, and regularly investigates and tracks customer satisfaction to understand customer needs and problems, and the results of the investigation will be used as research improvements Basis of strategy.</p>	

Evaluation Items	Operation Situation			Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No			
				<p>2. The company's products are mechanical components, and there are relevant international standards. The company follows the relevant laws and international standards and implements the process and raw material management.</p> <p>3. The company's products comply with China's laws and regulations and EU RoHS and REACH regulations, and do not contain harmful environmental substances. If customer needs, also provide customer RoHS, REACH inspection report.</p>	
			Corporate Governance	<p>Socioeconomic and legal compliance</p> <p>In order to ensure that the company's owners comply with the laws and regulations, the company's goals are established through the establishment of a governance organization audit process and standard operation procedures.</p>	
(II) Does the company set up a full-time (part-time) unit that promotes corporate social responsibility, and the board of directors authorizes senior management to deal with it, and reports the situation to the board?	✓			<p>On May 9, 2014, the board of directors discussed and approved the use of the "chairman's office" as a corporate social responsibility unit.</p> <p>(1) The chairman serves as the convener, together with the chairman's office, the finance department, the business department, the procurement department and the industrial safety department, etc., a special task force is set up to hold regular meetings to be responsible for promoting corporate social responsibility.</p> <p>(2) The corporate social responsibility policy is as follows:</p> <p>1. Implement information transparency and pursue honest management</p> <p>(1) Implement information transparency and practice good corporate governance.</p> <p>(2) Adhere to honesty and integrity, sustainable management, and become a global leading brand of cpc.</p> <p>(3) Cultivate a team of filial piety, charity, international outlook, professional technology and high sense of honor.</p> <p>2. Strengthen environmental awareness and implement environmental protection</p> <p>(1) It is necessary to provide a high-quality and maintain a healthy physical and mental working environment to achieve the goal of zero disasters and accidents.</p> <p>(2) To protect the environment, maintain</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>natural ecology, save energy and reduce waste.</p> <p>(3) To comply with laws and regulations, implement risk management, prevent pollution, and implement 6S activities.</p> <p>(4) Environmental protection and safety are uninterrupted activities for all employees.</p> <p>3. Education is based on virtue, creating a harmonious society</p> <p>(1) Broaden the foundation of Chinese culture and build a good enterprise of benevolence and justice.</p> <p>(2) Cultivate a team with both moral and technical skills to form a model for business management.</p> <p>(3) Strive for corporate social responsibility to create a harmonious society with sunshine.</p> <p>(3) The project group aggregated the results of the 2019 implementation and the opinions of interested parties in the report of the board of directors on March 11th, 2020.</p> <p>(4) Exchanges with industry associations in the Science Park, promotion of traditional Chinese culture, and care for vulnerable groups in the community. Since the establishment of the factory in Southern Taiwan Science Park in 2003, the chairman has handled seminars for good-neighborly neighbors in the park for more than ten years, emphasizing physical and mental communication and professional complementarity; And instructed colleagues of the company: thinking of kindness and virtue, giving priority to filial piety, a happy and happy life in life, and won the name of "Aunt Southern Taiwan Science Park Sunshine"!</p>	
<p>III. Develop sustainable environment</p> <p>(I) Does the company establish applicable environmental management system based on its industrial characteristics?</p>	✓		<p>(I) 1. The Occupational Safety Department of the company shall take charge of environmental management, establishing and controlling environmental management system, setting up safety and health committee and jointly dealing with environmental safety problems.</p> <p>2. Besides observing environmental laws earnestly, the Company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes														
	Yes	No	Abstract Statement															
(II) Is the company dedicated to improving utilization efficiency of various resources and making use of renewable materials with low environmental load impact?	✓		<p>system in September 2014.</p> <p>3. In August 2017, the company passed ISO 9001:2015 version quality management system, ISO 14001:2015 version environmental management system, OHSAS 18001:2017 version occupational safety and health management system and version renewal certification of CNS15506 Taiwan occupational safety and health management system.</p> <p>(II) The company is committed to improving the efficiency of the use of various resources, such as:</p> <ol style="list-style-type: none"> 1. Recycling pallets, wooden boxes, etc. are used for shipping packaging or inventory management. 2. Perform garbage resource classification and recycling, set up rainwater recycling system and on-site process water recycling, which can not only reduce costs but also reduce environmental impact and impact. 3. Improve the efficiency of resource use and e-standardize documents. 4. Fully turn off the lights during breaks to reduce power consumption. 	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.														
(III) Does the company assess the present and future risks and opportunities climate change poses on the company?	✓		<p>(III) With the increasingly severe environmental damage caused by global climate change, Taiwan has faced severe typhoons, flood threats and lack of water, energy and other resources in recent years. In order to effectively grasp the development trend of climate change issues, conduct climate change management and assessment, through climate risk issues, to mitigate the impact of climate change and reduce the harm to the environment</p> <table border="1"> <thead> <tr> <th colspan="2">Climate Change Risk Interval</th> <th rowspan="2">Countermeasures and Results</th> </tr> <tr> <th>Aspect</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Codes and Regulations</td> <td>1. Greenhouse gas inventory investigation and declaration</td> <td rowspan="2">1. The Southern Science and Industry Park Administration of the Ministry of Science and Technology investigates companies' greenhouse gas emissions 2. In accordance with the implementation of Taiwan's "Energy Administration Act", carry out energy saving and carbon reduction measures and declaration 3. Obtain ISO 14064-1 greenhouse gas inventory certificate for future planning</td> </tr> <tr> <td>2. Totals control and emissions</td> </tr> <tr> <td rowspan="2">Energy/Resources</td> <td>Waste recycle</td> <td>Recycling waste into plastics, iron and aluminum cans, paper, general waste, etc. can reduce waste incineration and reduce carbon emissions</td> </tr> <tr> <td>Solar energy</td> <td>The Tree Valley Plant has set up solar energy equipment, which can be used for</td> </tr> </tbody> </table>	Climate Change Risk Interval		Countermeasures and Results	Aspect	Item	Codes and Regulations	1. Greenhouse gas inventory investigation and declaration	1. The Southern Science and Industry Park Administration of the Ministry of Science and Technology investigates companies' greenhouse gas emissions 2. In accordance with the implementation of Taiwan's "Energy Administration Act", carry out energy saving and carbon reduction measures and declaration 3. Obtain ISO 14064-1 greenhouse gas inventory certificate for future planning	2. Totals control and emissions	Energy/Resources	Waste recycle	Recycling waste into plastics, iron and aluminum cans, paper, general waste, etc. can reduce waste incineration and reduce carbon emissions	Solar energy	The Tree Valley Plant has set up solar energy equipment, which can be used for	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
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Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes											
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(IV) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		<table border="1"> <tr> <td></td> <td></td> <td>the basic use of electricity in the plant to achieve green energy supply.</td> </tr> <tr> <td>Extreme Climate</td> <td>Extreme climate may cause heavy rainfall events, long periods of drought and rain, floods, and typhoons to directly affect operations.</td> <td> 1. Respond and handle according to emergency preparedness and response management procedures 2. The pump at the discharge port increases the discharge pressure 3. Before and after floods and typhoons, carry out emergency response to reduce damage </td> </tr> <tr> <td rowspan="2">Long-Term</td> <td>Sea level rise</td> <td>Reducing greenhouse gas emissions can reduce the melting of ice in the South Pole and the Arctic, and ease the rising trend of sea level</td> </tr> <tr> <td>Impact on employee health</td> <td>Reduce greenhouse gas emissions, reduce the occurrence of extreme climates, and thereby reduce the impact of extreme climates (such as sandstorms ...) on the human body, such as asthma, allergies ...</td> </tr> </table>			the basic use of electricity in the plant to achieve green energy supply.	Extreme Climate	Extreme climate may cause heavy rainfall events, long periods of drought and rain, floods, and typhoons to directly affect operations.	1. Respond and handle according to emergency preparedness and response management procedures 2. The pump at the discharge port increases the discharge pressure 3. Before and after floods and typhoons, carry out emergency response to reduce damage	Long-Term	Sea level rise	Reducing greenhouse gas emissions can reduce the melting of ice in the South Pole and the Arctic, and ease the rising trend of sea level	Impact on employee health	Reduce greenhouse gas emissions, reduce the occurrence of extreme climates, and thereby reduce the impact of extreme climates (such as sandstorms ...) on the human body, such as asthma, allergies ...	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
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<p>(IV) In the design of the factory, the company is based on energy saving and carbon reduction, with high design, additional ventilation and heat dissipation external walls, and natural circulation of ventilation and heat dissipation to reduce the temperature in the factory, replace the air conditioning system, and save electricity.</p> <p>1. Energy saving target In accordance with ISO 50001 as the norm, and in accordance with the provisions of Articles 8, 9 and 12 of the Energy Administration Act, if the energy consumption reaches the specified amount, an energy verification system shall be established, and energy conservation goals and implementation plans shall be set to Achieve the annual power saving rate of more than 1%; also, annual carbon reduction is to reduce energy emissions by 1%.</p> <p>2. Energy saving measures The annual power saving measures of 019 replaced the 200HP air compressors with high-efficiency spiral air compressors. It is estimated that the power saving rate can reach 20%, reducing 152482.4 degrees of power consumption. The annual power saving rate in 2019 can reach 1.29%, and the carbon reduction is about 97283.77kg. The original air compressor began to operate in 1994, because the old air compressor has no energy-saving design and the machine is old and often fails, so the new air compressor was bought to replace it. The main demands of the new air compressor</p>															

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No		
			<p>are energy saving and environmental protection:</p> <p>(1) Energy saving:</p> <p>A. The low-resistance intake valve can detect the pressure on the pipeline. The automatic air-conditioning intake valve reduces the power consumption when the old air compressor valve is fully opened from 40% to 100%.</p> <p>B. High efficiency cooling fan.</p> <p>C. Low-pressure gas-oil separation system reduces energy loss.</p> <p>D. High-quality air filter.</p> <p>(2) Environmental protection: The new air compressor uses 24KT cooling oil, and never needs to change the oil to achieve zero pollution.</p> <p>3. Carbon reduction target According to the data of Energy Bureau of the Ministry of Economic Affairs, 0.638 kg CO₂ emission per kWh energy generated. The energy saving in 2019 is 150,393.6 kilowatt-hours. Therefore, the goal of reducing carbon emissions in 2019 is about 95,951.12 kg.</p> <p>4. Greenhouse gas emission For the company's greenhouse gas emissions, the indirect emission sources are mainly purchased electricity, which were 6,866.8 thousand degrees, 8,600.2 thousand degrees, 11,536.8 thousand degrees, and 9,080 thousand degrees from 2018 to 2019 respectively. The company's total greenhouse gas emissions in 2014 were approximately 4,381.018 metric tons of CO₂ e / year, total greenhouse gas emissions in 2018 were approximately 5,486.928 metric tons of CO₂ e / year, total greenhouse gas emissions in 2018 were approximately 7,360.478 metric tons of CO₂ e / year, and total greenhouse gas emission in 2019 is about 5793.550 metric tons CO₂ e / year. The company's water consumption from 2018 to 2019 was 44,857 degrees and 34,819 degrees respectively. The total waste weight of our company from 2018 to 2019 was 1,072 metric tons and 688 metric tons, respectively.</p> <p>In response to the environmental impact caused by greenhouse gases, in the future, we</p>	

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes															
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			<p>will promote the reduction of greenhouse gas emissions and achieve sustainable energy development that balances cost with resource efficiency, energy conservation, and environmental protection.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Total Power Consumption (KWh)</td> <td>6,866,800</td> <td>8,600,200</td> <td>11,536,800</td> <td>9,080,800</td> </tr> <tr> <td>CO₂Emissions (mt)</td> <td>4,381.018</td> <td>5,486.928</td> <td>5,486.928</td> <td>5,793.550</td> </tr> </tbody> </table> <p>Note: According to the data of the Energy Bureau of the Ministry of Economy, 0.638 kg of CO₂ is generated per kWh</p>	Year	2016	2017	2018	2019	Total Power Consumption (KWh)	6,866,800	8,600,200	11,536,800	9,080,800	CO ₂ Emissions (mt)	4,381.018	5,486.928	5,486.928	5,793.550	
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CO ₂ Emissions (mt)	4,381.018	5,486.928	5,486.928	5,793.550															
<p>IV. Maintaining social welfare</p> <p>(I) Does the company make related management policy and procedure pursuant to relevant regulations and international covenants of human rights?</p>	✓		<p>(I) The company complies with the “Labor Standards Law” and “International Human Rights Convention” and the relevant laws and regulations issued by the government, formulating complete and compliant with labor laws and regulations related systems and management methods, which are carried out by dedicated personnel to protect employees’ legal labor rights and employment policies. Treatment and other management principles.</p> <ol style="list-style-type: none"> All forms of forced labor are strictly prohibited. Apply for labor insurance, health insurance, and insure employer liability accident insurance for all employees. Implement employment policies in accordance with the Employment Service Law, including prohibiting child labor. Follow internationally recognized labor human rights and equality, and prohibit any form of discrimination. Continue to promote gender equality. Based on the principle of “employee care” and “employee well-being”, withdraw pensions and set up employee welfare committees in accordance with the law. Under the principle of stable operation, provide various benefits and measures that are better than legal conditions as far as possible. In order to cooperate with the legal changes, announcements and announcements are made in the factory area 	<p>Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.</p> <p>Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.</p>															
<p>(II) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results</p>	✓		<p>(II) The relevant measures are as follows:</p> <ol style="list-style-type: none"> The company’s main remuneration principle is to link departmental responsibilities and performance results, and hopes to recruit and retain excellent talents by setting reasonable remuneration policies. The company clearly stipulates employee code 	<p>Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.</p>															

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<p>in employee compensation?</p> <p>(III) Does the company create a safe and healthy working environment and implements safety and health education for employees regularly?</p>	✓		<p>of conduct norms and related disciplinary system rewards and punishments in the employee manual.</p> <p>3. The company set up a “Pay and Remuneration Committee” composed of three independent directors. The three remuneration committees with different backgrounds not only have rich academic experience, but also fully grasp the pulse of domestic and foreign industries. A reasonable salary and compensation policy and performance appraisal system will gradually improve the integration of the above system and corporate social responsibility policies based on the pulsation of operations to continuously improve the quality and competitiveness of the company at each stage.</p> <p>(III) The company shall set up Labor Safety and Health Committee as per labor safety and health law, convene labor safety and health meeting regularly, persistently assist the factory in completing various tasks related to environmental safety and health to make sure the safety and health of working environment. Explanation of only relevant items is made below:</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Entrance Guard</td> <td> 1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution. </td> </tr> <tr> <td>Maintenance and Inspection of Various Equipment</td> <td> 1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, and fire apparatus in terms of Code of Conduct of Safety and Health in the company. </td> </tr> <tr> <td>Contingency Measures for Disaster Prevention</td> <td>1. Develop emergency preparedness and response procedure, emergency response plan, Code of Conduct of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue</td> </tr> </tbody> </table>	Items	Contents	Entrance Guard	1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution.	Maintenance and Inspection of Various Equipment	1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, and fire apparatus in terms of Code of Conduct of Safety and Health in the company.	Contingency Measures for Disaster Prevention	1. Develop emergency preparedness and response procedure, emergency response plan, Code of Conduct of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
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Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all levels for such important incidents and accidents as acts of God and fire disaster and corresponding tasks and arrange safety protection drills as required.</p> <p>2. Entrust fire competent authority to carry out fire control & disaster prevention training.</p>	
			<p>Physiological Health</p> <p>1. Perform periodic health examination on a yearly basis in accordance with Occupational Safety and Health Law.</p> <p>2. Health in working environment: Ban smoking entirely in working environment, hold health lecture, arrange CPR training and regularly conduct office environment cleaning and sterilization.</p>	
			<p>Mental Health</p> <p>1. Educational training: provide communication skill and emotion management courses as well as employee psychological adjustment and profession skill strengthening training.</p> <p>2. Expression of opinion: set employee suggestion zone and provide various manuals, educational training announcement and channels for employee's expression of opinion and interactive learning.</p> <p>3. Sexual harassment prevention: set forth complaint and punishment terms.</p>	
			<p>Insurance and Medical Condolence</p> <p>1. Buy labor insurance (including occupational hazard insurance) and health insurance by law.</p> <p>2. Buy officers liability insurance.</p> <p>3. Buy group insurance.</p>	
			<p>Contractor Management</p> <p>1. Inform contractors of hazard factors during working and hold meetings for contractor agreement in accordance with Occupational Safety and Health Law.</p> <p>2. Set contractor management procedure and provide related forms for contractor applying and filling out.</p>	
			<p>Educational Training</p> <p>Implement pertinent safety & health educational training, such as the general safety & health educational training and hazardous chemical manufacturing, disposal and using educational training and add safety and health trainings 3h before operation of manufacturing machine or equipment, aerial working vehicle, winch and electric welding as</p>	

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No		
			<p>well as working in oxygen deficient environment in accordance with Occupational Safety and Health Law.</p> <p>Healthy and safe working environment The company shall provide employees with safe and sound working environment, earnestly observe fire regulations and take the following measures to protect personal safety and health in the working environment:</p> <ol style="list-style-type: none"> 1. ISO 14001/OHSAS 18001/CNS 15506 environmental safety and health management system: set up a management system to evaluate performance and efficiency of environmental and occupational safety & health and enhance environmental safety & health, thus guaranteeing personal safety of employees. 2. Identify environmental considerations and various hazards in all activities, products and services of the Company, evaluate the risks of major environmental considerations and its hazards, judge the priority action level and control unacceptable environmental safety and health risks that may facilitate the planning, management and implementation of environmental and occupational safety and health. 3. Establish unified regulations for hazardous labeling of chemicals in compliance with regulations and requirements; be able to take emergency measures immediately upon occurrence of hazard and leakage during working through effective reminders to prevent from occurrence of hazards and extension of accidents. 4. For industrial wastes produced, establish resources recovery and related management mechanism to realize waste recycling, stabilization, hazard-free treatment, economization and satisfy the requirements of decree by improving environmental sanitation. 5. Raise contingency ability of employees under emergency circumstances and define correct handling procedure to make sure personal safety and normal operation of the company in the hope of minimizing loss in case of accident. 6. Check the fire apparatuses on a regular basis to reduce the losses after accident occurrence and guarantee personal safety of employees. 7. Lay down <i>Code of Conduct of Safety and Health</i> to avoid occupational accident, maintain the 	Conform to the

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No		
(IV) Does the company develop efficient career capability development training plan	✓		<p>safety and health of employees and ensure the normal operation of working place, further reaching the target of sustainable business operation.</p> <p>8. Appoint <i>Safety and health Personnel</i> to take charge of planning and advancing environmental safety and health policies and management system of the company and checking their performance. Train occupational safety personnel for occupational safety, including A Grade occupational safety and health manager, B Grade occupational safety and health specialist, A Grade occupational safety and health executive, first-aid personnel and fire controller, to strengthen environmental safety and health management in workplace and maintain a safe and healthy workplace.</p> <p>9. Conduct Annual Health Examination for Employees on a regular basis to protect their safety and health.</p> <p>10. Conduct Working Environment Monitoring twice a year, get hold of working environment dynamics, evaluate exposure hazard, measure physical and chemical factors in environment and improve the working environment based on measured results to meet the requirements.</p> <p>11. Regular inspection, key inspection and work inspection: conduct automatic inspection every year, 3 months, monthly, daily based on automatic inspection management procedure and examine potential hazards in workplace by means of automatic inspection for the purpose of preventing disasters and protecting company property and personal operation safety.</p> <p>12. Field inspection: conduct regular or irregular inspection for in-plant safety and health to eliminate actual or potential hazards and risks.</p> <p>13. Objective and scheme of environmental sanitary and hygiene: improvement scheme in 2018 included: on-site wind tunnel adapter improvement scheme, emergency exit light repair scheme and aid personnel supplementary scheme, all of which have been accomplished.</p> <p>(IV) The company has been committed to creating a learning environment providing endless talent force and increasing remarkable competitive power, set <i>Educational Training Management and Operational Procedure</i> and cultivated right talents by virtue of internal and external</p>	<p>provisions of code of ethical management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p>

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No		
(V) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company complied with relevant regulations and international standards, and formulated relevant policies and appeal procedures for consumer protection?	✓		<p>training resources.</p> <p>Currently, the company has provided a series of educational trainings for common knowledge, professional skill and management to stimulate employee's potential and occupational development ability, realize close coordination between enterprise development and talent development plan of colleagues and heighten awareness of production efficiency and enterprise social responsibility. Training plan mainly implemented is composed of general training, educational training for labor safety, operation & management and traditional culture, professional training, training for employees dispatched to foreign subsidiaries, internship training for international exchange.</p> <p>The company shall train head of all units and senior colleagues as internal lecturer to inherit company culture and skills and invite external experts, directors, supervisors to give lessons irregularly.</p>	
(VI) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their	✓		<p>(V) The company upholds a professional and innovative attitude, improves product efficiency and an honest and honest attitude to serve customers, and expects to provide customers with satisfactory products and services. Therefore, the company formulates standard customer complaint procedures, properly judges the responsibility to resolve the problem, and sets preventive measures to prevent similar problems, and regularly investigates and tracks customer satisfaction to understand customer needs and problems, the results will serve as the basis for the development of improvement strategies.</p> <p>The company's products are mechanical components, and there are relevant international standards. The company follows relevant laws and international standards and implements them on the process and raw material management.</p>	
			<p>(VI) The company possesses tight and complete supply chain system and can assist suppliers in improving product quality by integration. For suppliers of contract project, the 2-IS-2-K-001 contractor management procedure shall be followed. Apart from implementation of safety & sanitation autonomous management,</p>	

Evaluation Items	Operation Situation		Abstract Statement	The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No		
implementation?			<p>educational training, agreement organization, factory-entering hazard notification and other safety managements, requirements of physical environmental management shall also be met to fulfill the enterprise social responsibility of safety and environmental protection he company has closed and integrated supply chain system, and able to integrate and assist suppliers improve product quality. As to the contractor who carry the engineering were perform management according to 2-IS-2-K-001 contractor management procedure. In addition to adhesive perform. In addition, according to the 1-AD-2-B-001 supplier management program, the environmental management assessment and social responsibility assessment and evaluation of suppliers and new outsourcing processing plants include whether the manufacturer is ISO14001 environmental management system or SA8000 corporate social responsibility certification.</p> <p>The company conducts "Factory Environmental Management Assessment Form" and "Social Responsibility Assessment Form" assessments of suppliers and new outsourced processing plants according to supplier management procedures, including contracts with major suppliers requiring suppliers and contractors to comply with Labor Standards Act and related human rights regulations, including prohibition of child labor, forced labor, health and safety, freedom of association and collective bargaining rights, discrimination, etc., involve violations of corporate social responsibility policies and have a significant impact on the environment and society, the terms of the contract may be terminated or cancelled at any time.</p>	
V. Does the company refer to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-	✓		<p>The company has always adhered to the openness and transparency of information at the level of corporate governance. The corporate social responsibility information is clearly disclosed in the annual report and the company's website, and the social corporate responsibility webpage is under preparation.</p> <p>In addition, although the company has not prepared a corporate social responsibility report, it has promoted the company's internal education and</p>	Comply with the code of conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
party verification unit?			training in accordance with the “corporate social responsibility policy” and selected seed cadres to promote it. In the future, relevant information will be disclosed in due course.	
<p>VI. In case the Company lays down the Code of Conduct on Corporate Social Responsibility of its own in accordance with Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises, please detail the difference between its operation and the code laid down: The company laid down the Code of Conduct of Corporate Social Responsibility in accordance with connotation and relevant regulations of Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises through discussion in the board meeting on May 9th, 2014. The amended version was passed in the board meeting on January 20th, 2017. The operation of the corporate social responsibility is subject to the connotation and related regulations of the Code, which will be carried out continuously.</p>				
<p>VII. Other important information conducive to understanding the operation of the corporate social responsibility:</p> <p>(I) In terms of participation in social activities and social contribution, the company actively cooperates with various universities and colleges in Tainan (such as National Cheng Kung University (NCKU), Southern Taiwan University of Technology (STUST), Kunshan University, Far East University and Nan Jeon Institute of Technology) to provide opportunity of observation learning and internship and enhance industry-university collaboration, with the aim to accelerate the regional prosperity and bring more employment opportunities. In addition, the Company also cooperates with communities to establish prize for moral excellence and provide financial aid for students in community colleges.</p> <p>(II) In response to the resource recovery policy of the government, do the sort garbage and recycle indeed.</p> <p>(III) Turn the document form into electronic and reduce the amount of paper used.</p> <p>(IV) Give emergency allowances for employees and help employees overcome the difficulties.</p> <p>(V) It is prohibited to employ child workers as labor.</p> <p>(VI) The company’s product has passed ISO9001: 2008 certification.</p> <p>(VII) In September 2014, the company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management system.</p> <p>(VIII) In August 2017, the company passed ISO 9001:2015 version quality management system, ISO 14001:2015 version environmental management system, OHSAS 18001:2007 version occupational safety and health management system and version renewal certification of CNS15506 Taiwan occupational safety and health management system.</p>				

(VI) Circumstances of the company’s performance of ethical management and implementation measures:

In accordance with “Code of Ethical Management of the Listed and Over-The-Counter Companies” released by the competent authority, based on the management ideas of integrity, transparency and accountability, this company formulated the integrity-based policy, established a good corporate governance and risk management mechanism to create a business environment with sustainable development, and formulated the code of ethical management of this company. The “Code of Ethical Management” was passed by the resolution of the board of directors on March 21st, 2012, and reported by the general meeting of shareholders on June 20, 2012. The “Code of Ethical Management” was passed by the resolution of the board of directors on March 21st, 2012, and the revised “Ethical Management Procedures and Behavioral Guidelines” was passed by the resolution of the board of directors on March 26th, 2015. In addition, to carry out the ethical management policy, through the resolution of the board of directors on May 9th, 2014, the chairman room

should serve as the unit responsible for promoting enterprise ethical management, and adopt this management idea to sincerely serve all customers and suppliers, and continuously strengthen the company's business information transparency to make shareholders know the company's operation more clearly.

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
<p>I. Formulation of ethical management policy and scheme</p> <p>(I) Does the company clearly specify the policy, practice of ethical management in the rules and external files, and does the board of directors, management level actively implement the commitment of ethical management?</p>	✓		<p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p>
	✓		
			<p>(I) On March 21, 2012, the board of directors of the company approved the "Code of Integrity Management" and reported it to the shareholders' general meeting on June 20th, 2012. On March 26th, 2015, the board of directors passed a resolution to amend to "Ethical Operating Procedures and Behavior Guide", which specifically regulates the matters that the company's personnel should pay attention to when performing business, and serves as a commitment for the board and management to actively implement operating policies.</p> <p>The company designates the chairma's office as the designated unit (hereinafter referred to as the company's designated unit), which is affiliated with the board of directors and handles the relevant operations and supervision and implementation of the revision, execution, interpretation, consulting services and registration of the contents of the procedures and behavior guidelines , the main duties the following matters, and should be reported to the board of directors regularly:</p> <ol style="list-style-type: none"> 1. Assist in integrating integrity and moral values into the company's business strategy, and cooperate with the legal system to formulate relevant anti-fraud measures to ensure integrity management. 2. To formulate plans to prevent dishonesty, and to establish standard operating procedures and behavior guidelines for work operations in each plan. 3. Plan the internal organization,

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
<p>, a</p> <p>(II) Does the company implement prevention measures for the business activities with high risk of dishonest behaviors in each clause of Item II of Article 7 of “Code of Ethical Management of the Listed and Over-The-Counter Companies” or within the other business scope?</p>			<p>organization and functions, and set up a mutual supervision and check mechanism for business activities with a high risk of dishonesty in the business scope.</p> <p>4. Promotion and coordination of integrity policy advocacy training.</p> <p>5. Plan the reporting system to ensure the effectiveness of the implementation.</p> <p>6. Assist the board of directors and management to check and evaluate whether the preventive measures established by the implementation of integrity management are operating effectively, and regularly evaluate and follow the relevant business processes and make reports</p> <p>(II) The company formulates the “Code of Ethical Management” according to the “Code of Ethical Management of the Listed and Over-The-Counter Companies” released by the competent authority as the basis to abide by, and clearly specifies the prohibition of dishonest behaviors. The directors, supervisors, manager, employees or those with substantial control ability of this company shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or have other dishonest behaviors of violation of good faith, illegitimacy or breach of the trustee obligation, etc. to gain or maintain the interests. The relevant prevention measures include operation procedures, behavioral guidelines and education training, etc.</p> <p>The prevention scheme formulated by this company covers the prevention measures for the following behaviors:</p> <p>I. Offer bribes and accept bribes.</p> <p>II. Provide illegal political contributions.</p>

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
(III) Does the company formulate the scheme of preventing dishonest behaviors, clearly specify the operation procedures, behavioral guidelines, violation penalties and appeal system, and carry out the implementation, and regularly review and revise the pre-release plan?			<p>III. Improper charitable donation or sponsorship.</p> <p>IV. Provide or accept unreasonable gift, hospitality or other improper benefits</p> <p>(III) The company clearly formulates the code of practice of enterprise social responsibility, code of employee behavior, code of ethical management, relevant specification of preventing insider trading procedures, carries out the management ideas of “Integrity and Fairness, Integrity and Ability” and other principles of ethical management, continues to review, revise the relevant operation procedures, behavioral guideline, violation punishment and appeal system in each stage, and supplements the internal training, external training, independent director special instruction and other education training to gradually implement and conform to the relevant provisions.</p>
<p>II. Implementation of ethical management</p> <p>(I) Does the company assess the credit records of trading objects, and clearly specify the honesty behavior clauses in the contract signed with the trading objects?</p>	✓		<p>(I) Before the establishment of commercial relation, firstly assess the legality of this trading object, policy of ethical management, and assess whether there ever exist the records of dishonest behaviors to ensure its business operation mode fair, transparent, and no behavior of asking for, offering or accepting bribes.</p>
<p>(II) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty and supervision and implementation?</p>	✓		<p>(II) This company has designated the Chairman’s Office through the board of directors on May 9th, 2014 as a special responsible unit:</p> <p>1. It handles the revision, implementation, interpretation, consultation service, reporting content registration document and other relevant operation, will supervise its performance and regularly report to the</p>

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
(III) Does the company formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?	✓		<p>Board of Directors.</p> <p>2. It continuously conducts related training courses covering food safety, law safety and asset safety to practice business integrity.</p> <p>(III) To prevent the conflict of interests and provide appropriate statement channels, the “Code of Ethical Management” formulated by this company requests that the directors, supervisors, managers, and others present at board meetings should adhere to high self-discipline, and should state opinions, reply to inquiries for the proposal listed by the board of directors when such proposal has the interest relationship with himself or his represented entity, and brings damage to the company’s interests, without involving in discussion and voting, and the directors should avoid at the time of discussion and voting, and should be avoided during discussion and voting, and should not act on behalf of other directors to exercise their voting rights. Directors should also exercise self-discipline, and are not allowed to support each other.</p> <p>The directors, supervisors and managers of the company shall not use their positions in the company to gain undue benefits for themselves, spouse, parents, children or any other person.</p> <p>In the case of the board of directors in 2019, because of its interest in the directors themselves, according to Article 206 of the Company Act, Article 178 applies to the situation of interest avoidance:</p> <p>In the case of the board of directors in 2019, because of its interest in the directors themselves, according to Article 206 of the Company Act, Article 178 applies to the situation of</p>
	✓		<p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p>

Evaluation item	Operation situation			Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(IV) Has the company established the effective accounting system, internal control system to implement the ethical management, and are these systems regularly checked by the internal audit unit, or by the CPA?	✓		<p>interest avoidance:</p> <ol style="list-style-type: none"> 1. On January 25, 2019, the board of directors discussed the “Manager’s 2018 Year-end Bonus Distribution Plan”. 2. On January 25, 2019, the board of directors discussed the “Review of the Manager’s Salary and Compensation for 2018 and Related Regulations.” 3. On May 2, 2019, the board of directors discussed the “Manager’s Allotment of Employees’ Remuneration for 2018”. 4. On May 2, 2019, the board of directors discussed the “2018 Annual Directors and Supervisors Remuneration Distribution Case”. 5. On January 17, 2020, the board of directors discussed the “Manager’s 2019 year-end bonus case”. 6. On January 17, 2020, the board of directors discussed the “2019 Manager’s Salary and Remuneration and Related Regulations.” 7. On April 28, 2020, the board of directors discussed the “2019 Annual Directors and Supervisors Remuneration Distribution Case”. 8. On April 28, 2020, the board of directors discussed the “Manager’s Allotment of Employees’ Remuneration for 2019”. 	Conform to the provisions of code of ethical management of the listed and over-the-counter companies.
(IV) For business activities with a high risk of dishonesty, the company has established an effective and complete accounting system and internal control system. There should be no false transaction accounting, and it should be reviewed at any time to ensure that the design and implementation of the system continue to be effective. The company conducts self-inspection once a year, and then the internal audit unit reviews the self-				

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
(V) Does the company hold the internal, external education training of ethical management regularly?	✓		<p>evaluation reports of various units and subsidiaries including the control environment, risk assessment, control operations, information and communication and supervision, etc., and improvements of deficient and abnormal events in internal control found by the audit unit serves as the main basis for the board of directors and the general manager to evaluate the effectiveness of the overall internal control system and issue a statement of internal control system.</p> <p>The company's internal auditors regularly audit the system to follow the situation, and make an audit report to the board of directors. In addition, PwC Taiwan also regularly audits the company's internal control.</p> <p>(V) In addition to regularly holding the internal education training of business integrity, the Company also participates in external similar courses to serve as a channel for the employees' absorption of new knowledge and provision of decision-making assistance.</p>
<p>III. Operation situation of the company's reporting system</p> <p>(I) Does the company formulate the specific reporting and reward system, establish the convenient reporting channel, and designate the specifically responsible personnel aiming at the reported party?</p>	✓		<p>(I) The company incorporates the ethical management in the employee performance assessment and human resource policy, and sets up a clear, effective reward and punishment and appeal system. The complaints procedure is as follows: Any violation of government decree or any fraud discovered shall be reported to the manager, internal audit personnel through the dedicated e-mail address of senior executives, internal audit personnel or in writing. The relevant personnel after receiving the reporting shall submit it to the general manager or chairman for deciding. Any severe</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p>

Evaluation item	Operation situation		Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No	
(II) Does the company formulate the survey standard operation procedure and relevant confidentiality mechanism for accepting the reporting matters?	✓		<p>violations shall be reported to the board of directors, and the unit or department head of the reported object shall be designated to be specifically responsible for acceptance to deal with the follow-up properly.</p> <p>(II) Article 21 of the company's "Integrity Management Operation Procedures and Conduct Guidelines" clearly states: Encourage internal and external personnel to report dishonesty or misconduct, and the rewards should be awarded according to the severity of the report. If there is any false report or malicious accusation by the internal personnel, disciplinary action shall be taken against the case, and the person with serious circumstances shall be dismissed. The company establishes and announces internal independent reporting mailboxes and dedicated lines on the company's website and internal websites or entrusts other external independent institutions to provide reporting mailboxes and dedicated lines for use by internal and external personnel of the company.</p>
(III) Does the company adopt the measures to protect the reporter from suffering the improper treatment due to reporting?	✓		<p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of ethical management of the listed and over-the-counter companies.</p>

Evaluation item	Operation situation		Explanatory memorandum	Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No		
			<p>personnel methods, and continue to build and improve the standard operating procedures for the investigation of acceptance of reports.</p> <p>(III) The company provides protection measures for the reporters in the formulated “Employee Code of Conduct” to ensure the survey quality, and avoid the reporter suffering unfair retaliation or treatment.</p>	
<p>IV. Strengthening the disclosure of information</p> <p>Does the company disclose the content of its formulated code of ethical management and promotion effect on its website and public information observation station?</p>	✓		<p>1. The amended Business Integrity Operation Procedure and Code of Conduct was passed upon the resolution of the board meeting on March 11th, 2020. Moreover, the information related to business integrity is disclosed under the Investor Relations on the official site of the Company.</p> <p>2. This company shall disclose the policy of ethical management on the internal regulations, annual report or other statement, and make declarations on product presentations, corporate seminars and other public activities to make its suppliers, customers or other business relevant institutions and personnel clearly know the company’s idea and specification of ethical management.</p>	Conform to the provisions of code of ethical management of the listed and over-the-counter companies.
<p>V. If the company formulates its own code of ethical management according to the “Code of Ethical Management of the Listed and Over-The-Counter Companies”, please explain the differences between its operation and the formulated code:</p> <p>This company has formulated the code of ethical management of the company (already having been revised as “Ethical Management Procedures and Behavioral Guidelines”) to specifically regulate the matters needing attention for the company’s personnel when performing the business, without major difference.</p> <p>Prohibition of dishonest behavior</p> <p>In the process of being engaged in business activities, it shall not directly or indirectly provide, promise, request, or accept any illegitimate benefits, or have other dishonest behavior of violating integrity, illegitimacy or breach of trustee obligation, etc. to gain or maintain the interests.</p> <p>Ethical management of commercial activity</p> <p>It shall carry on the commercial activities in the manner of fairness and transparency. Before the commercial intercourse, it shall consider the legitimacy of agents, suppliers, customers or other commercial trading objects and consider whether there exist the records of dishonest behavior. It shall avoid trading with those who have the records</p>				

Evaluation item	Operation situation		Explanatory memorandum	Circumstances of differing from ethical management of the listed and over-the-counter companies and reasons
	Yes	No		
<p>of dishonest behavior.</p> <p>Prohibition of offering bribes or accepting bribes When performing the business, it shall not directly or indirectly provide, promise, request or accept the illegitimate interests of any forms.</p> <p>Prohibition of providing political illegal contributions It shall conform to the Political Donations Act and the company's internal related operation procedures, and shall not there out gain commercial interests or trading advantages.</p> <p>Prohibition of improper charitable donation or sponsorship It shall conform to the relevant laws and internal operation procedures, instead of disguised bribery. It shall not directly or indirectly provide or accept any unreasonable gift, hospitality or other improper benefits to there out establish the commercial relations or affect the business transactions.</p> <p>Accounting and internal control It shall establish the effective accounting system and internal control system for the business activities with high risk of dishonest behavior, without any external account or keeping any secret account, and shall check at any time to ensure the design and performance of this system continuously effective. The internal audit personnel of this company shall regularly check the conformance situation of the previous system, and shall make it into the audit report to be submitted to the board of directors.</p> <p>Information disclosure It shall disclose the performance situation of its code of ethical management on the company website, annual report and prospectus.</p>				
<p>VI. Other important information that contributes to understanding of the company's operation situation of ethical management: (such as the company's inspection, revision of its formulated code of ethical management, etc.)</p> <p>(1) As an important enterprise culture of this company, the integrity has been simultaneously implemented to the company's employees, directors and supervisors, suppliers, etc.</p> <p>(2) Announce the company's related information on time according to the regulations of the competent authority</p>				

(VII) If the company formulates the corporate governance code and relevant regulations, it shall disclose its inquiry mode:

The Company has formulated the Code of Corporate Governance and relevant regulations, and has released them under the Investor's Zone, the CSR Zone on the company website (company website: <http://www.chieftek.com>) or the special zone on MOPS.

(VIII) Other important information enough to promote the understanding of operation situation of corporate governance:

1. The implementation of the directors' avoidance of the proposal of interest:

The company stipulates in the "Code of Procedures for Board Meetings", "Code of Ethical Conduct", "Code of Integrity Management" and "Guidelines for Integrity Management Operating Procedures and Conduct" that directors should maintain a high degree of self-discipline, in the proposals listed by the board of directors, if there is a risk of damage to the directors' own interests or the company's interests, opinions and answers may be stated. They shall not join the discussion and voting, shall evade themselves, and shall not represent other directors in the voting; directors shall also exercise self-discipline and shall not support each other improperly. If a director joins the voting in violation of the avoidance, his voting rights are invalid.

2. The responsible unit of the company's board of directors also occasionally sends staff to attend courses related to corporate governance, and provides the latest legal information to directors, supervisors and managers at any time.
3. The company disclosed important information to the investing public in a timely manner in accordance with the law in order to enhance the understanding of the company

(IX) Implementation situation of Internal Control Systems

1. Statement of Internal Control Systems



CHIEFTEK PRECISION CO., LTD.

Date: March 11, 2020

The internal control system of this company in 2019 is hereby stated as follows according to the self-assessment results:

- I. This company acknowledges that to establish, implement and maintain the internal control system is the responsibility of the company's board of directors and manger, and this company has established such system. Its purpose is to provide reasonable assurance for reaching the goals of effective and efficient operation (including making profits, achieving performance and ensuring the safety of assets, etc.), reliable, timely, transparent guidance and conforming to relevant specification, namely relevant laws and regulations, etc.
- II. The internal control system has natural limits. No matter how perfect the design is, the effective internal control system can also provide reasonable assurance only for reaching the above three goals. Moreover, due to the change of environment and situation, the effectiveness of internal control system may also change. Only the internal control system of this company is set with the self-supervision mechanism, and once the negligence is identified, this company will take the corrective action.
- III. This company is basing on the judgment items for the effectiveness of internal control system stipulated by "Standard for Treatment of Establishment of Internal Control System of the Public Offering Company" (hereinafter referred to as "Standard for Treatment") to judge whether the design and implementation of the internal control system are effective. This internal control system judgment items adopted for "Standard for Treatment" are diving the internal control system into five components in accordance with the process of management control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision operation. Each component further includes several items. Please refer to the provisions of "Standard for Treatment" for the above items.
- IV. This company has adopted the above internal control system judgment items to assess the effectiveness of design and performance of the internal control system.
- V. Based on the assessment results of the preceding paragraph, the Company considers the internal control system (including the supervision and management of subsidiaries) on December 31st, 2019 includes understanding the goal realization degree of effective and efficient operation, and reporting the effective design and implementation of internal control system that is reliable, timely, transparent, and conforming to the relevant specification, namely the relevant laws and regulations, which can reasonably ensure the

realization of the above goals.

- VI. This statement will become main contents of annual report and public instruction book prospectus of this company, and will be opened to the public. If the above disclosed contents have any misrepresentation, omission and other illegal matter, the legal liability of Article 20, Article 32, Article 171 and Article 174, etc. in the Securities Exchange Act will be involved.
- VII. This statement had been passed on March 11th, 2020 by the board of directors of this company. Among 10 attending directors, no one objects; all of them agree the content of this statement, and hereby state.

CHIEFTEK PERCISION CO., LTD.

Chairman: CHEN LI-FEN

General Manager: HSU MING-CHE

2. If the accountant is entrusted for project review of internal control system, the accountant review report shall be disclosed: None.

- (X) From the nearest year to the print date of annual report, circumstances of the company and internal personnel being punished according to law, and the company's punishment, main negligence and improvement for the internal personnel who violate the internal control system:

1. In 2019 and by the date of printing the annual report, the Company and internal personnel have no punishment case due to major violation of the provisions of internal control system.
2. In addition to strengthening the personnel education and training, this company requests the internal audit personnel to check at any time to reduce the occurrence of negligence.

- (XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Material resolutions content and implementation situation of the regular meeting of shareholders in 2019 fiscal year

Date	Material resolutions	Implementation
June 12, 2019	(1) Approval of the 2018 business report and financial statement	(1) Recognize the 2018 annual business report and financial statements, of which consolidated revenue for the year is NT \$ 2,078,901 thousand, net profit after tax is NT \$ 471,252 thousand, and earnings per share are NT\$ 6.40.
	(2) Approval of 2018 retain earnings distribution	(2) Set September 1, 2019 as the base date for ex-rights (interest), and all the payment will be completed on October 14th, 2019 (equity dividend of NT\$ 1.0 per share and cash dividend of NT \$ 1.0), in accordance with the resolution of the regular shareholders' meeting.
	(3) Approved the retained earnings to capital increase issue of new	(3) On June 24, 2019, the Financial Supervision and Administration Commission declared the

shares in 2018	<p>(4) Approved the amendments to some articles of the "Articles of Association"</p> <p>(5) Approved the amendment of some provisions in the "Procedures for Acquiring or Disposing of Assets".</p> <p>(6) Approved the amendment to some provisions in the "Endorsement Guarantee Operation Procedures".</p> <p>(7) Approved the amendment of some provisions in the "Procedure for Fund Loan and Others".</p> <p>(8) Approved the amendments to some provisions in the "Corporate Governance Code".</p>	<p>case to be effective. On September 16, 2019, the Ministry of Science and Technology's Southern Science and Industry Park Management Bureau No. 1080025362 approved the change registration. We also contacted the Taiwan Securities Trading Center for approval to start trading on October 14th, 2019</p> <p>(4) On June 17, 2019, it was approved by No. 1080016185 of the Southern Science and Industry Park Administration of the Ministry of Science and Technology and announced on the company's website.</p> <p>(5) Announced on June 12, 2019 to MOPS and company website.</p> <p>(6) Announced on June 12, 2019 to MOPS and company website.</p> <p>(7) Announced on June 12, 2019 to MOPS and company website.</p> <p>(8) Announced on June 12, 2019 to MOPS and company website.</p>
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2. Material resolutions of the Board of Director

Material resolutions of the 7 period of board of directors' meeting during the 2018 fiscal year and 2019 fiscal year up to the date of publication of the annual report :

Date	Material resolutions	Resolution Results
January 25, 2019 (2019, 1st)	<p>Matters to be Reported:</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>(3) A summary report for the meeting of the Remuneration committee.</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal for 2018 fiscal year-end Bonus distribution of Managers.</p> <p>(2) Passed the proposal for the 2018 fiscal year Remuneration and Related Regulations of Managers.</p> <p>(3) Passed the proposal for the Evaluation of independence of CPA of the Company.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p>

	<p>(4) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(5) Passed the proposal for Lending Funds to subsidiary.</p> <p>(6) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(7) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
<p>March 12, 2019 (2019, 2nd)</p>	<p>Matters to be Reported:</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>(3) A summary report for the meeting of the Remuneration committee.</p> <p>(4) A report on the implementation situation of Corporate Governance.</p> <p>(5) A report on the implementation situation of Corporate Social Responsibility.</p> <p>(6) A report on the implementation situation of Ethical Corporate Management.</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal for distribution of remuneration of director and supervisor and remuneration of employee of the 2018 fiscal year.</p> <p>(2) Passed the proposal for "Assessing the Effectiveness of Internal Control Systems" and "Statement of Internal Control Systems" of 2018 fiscal year of the Company.</p> <p>(3) Passed the proposal for "Business report and Financial report of 2018 fiscal year" of the Company.</p> <p>(4) Passed the proposal for the amendment of partial provisions for "Article of Association".</p> <p>(5) Passed the proposal for the amendment of partial articles of "Procedures for Acquisition or Disposal of Assets".</p> <p>(6) Passed the proposal for the amendment of partial articles of "Procedures for Endorsement & Guarantee" and "Procedures for Lending Funds to Other Parties".</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p>

	<p>(7) Passed the proposal for the amendment of partial articles of “Corporate Governance Best-Practice Principles”.</p> <p>(8) Passed the proposal for convening shareholders’ regular meeting of 2019 fiscal year of the Company.</p> <p>(9) Passed the proposal for the budget of 2019 fiscal year of the Company.</p> <p>(10) Passed the proposal for entrusting E.SUN Bank as the arranger to organize the syndicated loan bank club, and applying the loan with the total amount of NT\$5 billion granted by the syndicated loan bank club.</p> <p>(11) Passed the proposal for the cancellation of endorsement and guarantee for subsidiary.</p> <p>(12) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(13) Passed the proposal for subsidiary’s application to banks for the Loan Credit Line.</p> <p>(14) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(8) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(9) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(10) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(11) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(12) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(13) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(14) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
<p>May 2nd, 2019 (2019, 3rd)</p>	<p>Matters to be Reported:</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on 2019, 1st quarterly Consolidated Financial Statements of the Company.</p> <p>(3) A report on internal audit.</p> <p>(4) A summary report for the meeting of the Remuneration committee.</p> <p>(5) A report on the acceptance of proposal of shareholder for the Company shareholders' regular meeting of 2019 fiscal year.</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal for Directors and Supervisors’ Remuneration of 2018 fiscal year reviewed by the Remuneration committee.</p> <p>(2) Passed the proposal for manager’s allotment of the employees' remuneration of 2018 fiscal year reviewed by the Remuneration committee.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p>

	<p>(3) Passed the proposal for distribution of surplus for 2018 fiscal year of the Company.</p> <p>(4) Passed the proposal for surplus distribution for 2018 fiscal year.</p> <p>(5) Passed the proposal for adding the cause(s) of meeting to convene the shareholders' regular meeting of the 2018 fiscal year.</p> <p>(6) Passed the proposal for setting up the Corporate Governance Supervisor.</p> <p>(7) Passed the proposal for the change of the Company's deputy spokesperson.</p> <p>(8) Passed the proposal for the cancellation of endorsement and guarantee for subsidiary.</p> <p>(9) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(10) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(11) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(8) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(9) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(10) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(11) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
June 12, 2019 (2019, 4th)	<p>Matters to be Reported:</p> <p>(1) A report on the last meeting minutes and its implementation situation</p> <p>(2) A report on internal audit</p> <p>Matters to be Discussed:</p> <p>(1) Passed the formulation of the company's "standard operating procedures for handling directors' requests".</p> <p>(2) Passed the revising the company's "procurement and payment cycle".</p> <p>(3) Passed the increasing the endorsement guarantee for reinvested subsidiaries.</p> <p>(4) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(5) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent</p>
August 7, 2019 (2019, 5th)	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>(2) A report on the company's second quarter's consolidated financial</p>	

	<p>statement</p> <p>(3) A report on internal audit</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal of relevant matters such as the base date for ex-dividend interest and capital increase</p> <p>(2) Passed the proposal of the company not distributing surplus in the first half of 2019</p> <p>(3) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent</p>
November 6, 2019 (2019, 6th)	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>(2) A report on the company's 2019 third quarter's consolidated financial statement</p> <p>(3) A report on the purchase of important contents such as directors and supervisors and important staff liability insurance</p> <p>(4) A report on internal audit</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal for the stipulation of the "2020 audit plan"</p> <p>(2) Passed the proposal of the company's 2018 undistributed surplus for concrete investments</p> <p>(3) Passed the proposal for the group's investment structure adjustment</p> <p>(4) Passed the proposal for purchase of land for building factories through subsidiaries</p> <p>(5) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent</p>
November 22, 2019 (2019, 7th)	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal for merger of subsidiaries</p> <p>(2) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(3) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent</p>
January 17, 2020	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and</p>	

(2020, 1st)	<p>implementation report</p> <p>(2) A report on internal audit</p> <p>(3) A report on the summary of the Remuneration Committee meeting</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal of the 2019 year-end bonus distribution plan for managers</p> <p>(2) Passed the proposal for the review of regulations relevant to current manager's remuneration items</p> <p>(3) Passed the proposal of the 7-year joint credit agreement with Mega International Commercial Bank as the co-hosting bank</p> <p>(4) Passed the proposal to cancel the endorsement guarantee for the reinvested subsidiary</p> <p>(5) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
March 11, 2020 (2020, 2nd)	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>(2) A report on the company's financial report preparation capacity</p> <p>(3) A report on internal audit</p> <p>(4) A report on the summary of the Remuneration Committee meeting</p> <p>(5) A report on the corporate governance operating situation</p> <p>(6) A report on the corporate social responsibility implementation situation</p> <p>(7) A report on the company's ethical operating situation</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal of the company's 2019 director and supervisor remuneration and employee remuneration</p> <p>(2) Passed the proposal of the company's 2019 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement"</p> <p>(3) Passed the proposal of the company's 2019 annual business</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent</p>

	<p>report and financial report.</p> <p>(4) Passed the proposal of the re-election of directors and independent directors</p> <p>(5) Pass the proposal of the lifting of the new director's prohibition on competition</p> <p>(6) Passed the proposal of amending the Company's "Corporate Governance Practice Code", "Corporate Social Responsibility Practice Code" and "Integrity Management Code".</p> <p>(7) Passed the proposal of the amendment of the company's "Rules of Procedure for Shareholders' Meetings".</p> <p>(8) Passed the proposal of amending the company's "Director and Supervisor Election Procedure" case.</p> <p>(9) Passed the proposal of convening the company's 2020 regular shareholders' meeting</p> <p>(10) Passed the proposal of the company's 2020 annual budget</p> <p>(11) Passed the proposal of independent evaluation of the company's CPAs</p> <p>(12) Passed the proposal from reinvested subsidiaries for cash capital increase</p> <p>(13) Passed the proposal to increase the endorsement guarantee for reinvested subsidiaries</p> <p>(14) Passed the proposal for subsidiary's application to banks for the Loan Credit Line</p> <p>(15) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(4) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(8) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(9) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(10) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(11) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(12) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(13) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(14) Passed the proposal after the discussion of all attended directors, without any dissent</p> <p>(15) Passed the proposal after the discussion of all attended directors, without any dissent</p>
<p>March 20, 2020 (2020, 3rd)</p>	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>Matters to be Discussed:</p> <p>(1) Passed the proposal to buy back the company's shares</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent</p>
<p>April 28, 2020 (2020, 4th)</p>	<p>Matters to be Reported:</p> <p>(1) Minutes of the last meeting and implementation report</p> <p>(2) A report on the company's 2020 first quarter's consolidated financial statement</p> <p>(3) A report on internal audit</p>	

(4) A report on the summary of the Remuneration Committee meeting	
(5) A report on the 2019 Annual Shareholders' Meeting of the Company acceptance of the shareholders' proposal	
Matters to be Discussed:	
(1) Passed the proposal of the 2019 annual employee remuneration cases distributed by managers	(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.
(2) Passed the proposal of the remuneration distribution for directors and supervisors in 2019	(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.
(3) Passed the proposal to amend some provisions of the company's "Remuneration Committee Organization Rules"	(3) Passed the proposal after the discussion of all attended directors, without any dissent.
(4) Passed the revision of part of the proposal of buying back the company's shares	(4) Passed the proposal after the discussion of all attended directors, without any dissent.
(5) Passed the proposal of the company's 2019 surplus distribution	(5) Passed the proposal after the discussion of all attended directors, without any dissent.
(6) Passed the proposal of lawful examination of director and independent director candidates in accordance with regulations	(6) Passed the proposal after the discussion of all attended directors, without any dissent.
(7) Passed the proposal of amending the company's "Procedure for Acquiring or Disposing of Assets"	(7) Passed the proposal after the discussion of all attended directors, without any dissent.
(8) Passed the proposal of adding a case in convening matters for the company's 2020 regular shareholders meeting	(8) Passed the proposal after the discussion of all attended directors, without any dissent.
(9) Passed the proposal of canceling the endorsement guarantee for the reinvested subsidiary	(9) Passed the proposal after the discussion of all attended directors, without any dissent.
(10) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.	(10) Passed the proposal after the discussion of all attended directors, without any dissent.
(11) Passed the proposal for application to banks for the Loan Credit Line.	(11) Passed the proposal after the discussion of all attended directors, without any dissent.

(XII) During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, accounting supervisor, financial supervisor, internal auditing supervisor, corporate governance supervisor and research and development supervisor: None.

IV. Information on CPA professional fees:

Accounting Firm's Name	CPA's Name		Audit Period	Remark
PricewaterhouseCoopers (PwC) Taiwan	LIN YUNG-CHIH	LIN TZU-YU	2018	
PricewaterhouseCoopers (PwC) Taiwan	LIN YUNG-CHIH	LIN TZU-YU	2019	

(I) Class interval table of information for CPA professional fees:

Unit: NT\$ in thousand

Amount Interval		Fee Items	Audit Fee	Non-audit Fee	Total
1	Lower than 2,000 thousand dollar		-	380	380
2	2,000 thousand (inclusive) ~4,000 thousand dollar		3,560	-	3,560
3	4,000 thousand (inclusive) ~6,000 thousand dollar		-	-	-
4	6,000 thousand (inclusive) ~8,000 thousand dollar		-	-	-
5	8,000 thousand (inclusive) ~10,000 thousand dollar		-	-	-
6	10,000 thousand (inclusive) above		-	-	-
Amount			3,560	380	3,940

(II) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliates 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: None.

Unit: NT\$ in thousand

Accounting Firm's Name	CPA's Name	Audit Fee	Non-audit Fee					Audit Period	Remark
			System design	Business registration	HR	Others	Sub-total		
PwC Taiwan	LIN YUNG-CHIH	3,560	-	120	-	260	380	2019.1.1~2019.12.31	Other includes Transfer Pricing Report 200 and Tax Consultation 60
	LIN TZU-YU								

(III) If the accounting firm is changed and the audit public expense paid in the year of change is less than the audit public expense of the previous year of change, the decreased amount, and reason shall be disclosed: No such situation.

(IV) If the audit public expense is decreased of more than 10% compared with that of the previous year, the decreased amount, proportion and reason of the audit public expense shall be disclosed: No such situation.

V. Information of change of CPA: None.

VI. Information of the company's chairman, general manager, manager in charge of finance or accounting affairs working in the certified accountant affiliated firm or its associated enterprise in the recent one year: None.

VII. From the nearest year to the print date of annual report, circumstance of changes in equity transfer and equity change of the directors, supervisors, managers and shareholders who hold more than 10% shares:

(I) Circumstance of changes in equity of directors, supervisors, managers and Substantial shareholders:

Unit: Share

Job Title	Name	2019		Current fiscal year up to April 30	
		increase (or decrease) number of shares transferred	increase (or decrease) number of shares pledged	increase (or decrease) number of shares transferred	increase (or decrease) number of shares pledged
Chairman	CHEN LI-FENG	332,728	2,500,000	0	0
Director & General manager	HSU MING-CHE	507,212	2,500,000	0	0
Director	CHENG SHENG-FEN	50,430	0	0	0
Director	WANG CHEN PI-HSIA	50,668	220,000	0	0
Director	LI AN	97,753	0	0	0
Independent director	WU CHUNG-JEN	2,673	0	0	0
Independent director	WEI NAI-CHANG	0	0	0	0
Independent director	HO MING-ZIH	0	0	0	0
Supervisor	TSENG HSU-WEN	98,106	0	0	0
Supervisor	LI MEI	44,967	0	0	0
Manager	CHEN MIN-CHANG	(14,835)	0	(9,000)	0
Manager	PENG CHIUNG-YIN	46,367	0	0	0
Financial supervisor, Accounting supervisor, corporate governance supervisor	LI PAI-TSANG	201	0	0	0

Note 1: The company's supervisor, KUANG HSI-HUI, resigned as supervisor on 2019.01.25 because of her personal family issues.

Note 2: This Company has no substantial shareholders who holds more than 10% shares.

(II) Status about Share Transfer:None

(III) Status about Share Pledge:

Unit: NT\$ thousand

NAME	REASONS FOR CHANGES IN PLEDGE	CHANGE DATE	COUNTER PARTY	THE RELATIONSHIP BETWEEN THE COUNTERPARTY OF THE TRANSACTION AND THE COMPANY, DIRECTORS, SUPERVISORS, MANAGERS AND SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES	NUMBER OF SHARES	% OF SHARES HELD	PLEDGE RATIO	PLEDGE (REDEEM) AMOUNT
CHAIRMAN CHEN LI-FENG	PLEDGE	2019.07.12	CATHAY UNITED BANK XIN-XING BRANCH	NONE	2,500,000	3.08%	68.43%	107,000
CHAIRMAN CHEN LI-FENG	PLEDGE	2020.03.19	CATHAY UNITED BANK XIN-XING BRANCH	NONE	810,000	1.00%	22.17%	-
CHAIRMAN CHEN LI-FENG	REDEEM	2020.04.30	CATHAY UNITED BANK XIN-XING BRANCH	NONE	(810,000)	1.00%	(22.17%)	-
CHAIRMAN HSU MING-CHE	PLEDGE	2019.07.12	CATHAY UNITED BANK XIN-XING BRANCH	NONE	2,500,000	3.08%	44.81%	106,000
CHAIRMAN HSU MING-CHE	PLEDGE	2020.03.19	CATHAY UNITED BANK XIN-XING BRANCH	NONE	810,000	1.00%	14.52%	-
CHAIRMAN HSU MING-CHE	REDEEM	2020.04.30	CATHAY UNITED BANK XIN-XING BRANCH	NONE	(810,000)	1.00%	(14.52%)	-
CHAIRMAN WANG CHEN PI-HSIA	PLEDGE	2019.11.13	E.SUN SECURITIES CO., LTD	NONE	220,000	0.27%	39.47%	7,409

VIII. Information of the shareholder whose shareholding ratio ranks top 10, mutual relation of related person or spouse, domestic relation of parents or closer

April 30, 2020

Name	Shareholding by Self		Shareholding by Spouses, Minor Children		Shareholding Through Nominees		10 Largest Shareholders is Related Party or A Relative Within The Second Degree of Kinship of Another		Remark
	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Name (or Name)	Relationship	
HSU MING-CHE	5,579,338	6.87%	3,653,107	4.50%	0	0%	CHEN LI-FENG HSU CHENG-PU	Spouse Daughter	
CHEN LI-FENG	3,653,107	4.50%	5,579,338	6.87%	0	0%	HSU MING-CHE HSU CHENG-PU NEW CHIEFTEK INVESTMENT CO., LTD. DENENG SUNSHINE INVESTMENT CO., LTD. DEYUAN MANAGEMENT CONSULTANTS CO., LTD.	Spouse Daughter Chairman of this company Chairman of this company Chairman of this company	
NEW CHIEFTEK INVESTMENT CO., LTD.	3,360,000	4.14%	0	0%	0	0%	CHEN LI-FENG	Chairman of this company	
DAVID ENTERPRISE CO., LTD.	3,347,776	4.12%	0	0%	0	0%	None	None	
FUBON LIFE INSURANCE CO., LTD.	2,454,900	3.02%	0	0%	0	0%	None	None	
TRANSGLOBE LIFE INSURANCE CO., LTD.	2,157,000	2.66%	0	0%	0	0%	None	None	
DENENG SUNSHINE INVESTMENT CO., LTD.	1,423,865	1.75%	0	0%	0	0%	CHEN LI-FENG	Chairman of this company	
HSU CHENG-PU	1,413,532	1.74%	0	0%	0	0%	HSU MING-CHE CHEN LI-FENG	Father Mother	
WANG CHANG-FENG	1,392,866	1.72%	0	0%	0	0%	None	None	
DEYUAN MANAGEMENT CONSULTANTS CO., LTD.	1,298,073	1.60%	0	0%	0	0%	CHEN LI-FENG	Chairman of this company	

IX. Number of share hold for the same reinvestment business by the company's directors, supervisors, manager and the company's directly or indirectly controlled business, and combined calculation of the comprehensive shareholding ratio

April 30, 2020 ; Unit: Share; %

Investments in Other Enterprises (Note)	The Investments by the Company		The Investments by Director, Supervisor, Manager or Directly or Indirectly controlled		Total investment	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
CHIEFTEK PRECISION HOLDING CO., LTD.	5,100,000	100.00	-	-	5,100,000	100.00
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	5,100,000	100.00	-	-	5,100,000	100.00
CHIEFTEK PRECISION USA CO., LTD.	1,660,000	100.00	-	-	1,660,000	100.00
Chieftek Machinery Kunshan Co., Ltd	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
cpc Europa GmbH	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
CSM Maschinen GmbH	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
Chieftek Precision International LLC	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00

Note: These companies are the Company's long-term investment which is done using the equity method

IV. FUNDRAISING CIRCUMSTANCE

I. Capital and Shares

(I) Capitalization

Unit: NT\$ in thousands; share in thousand

Month/ Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
1998.10	10	500	5,000	500	5,000	Cash establishment of capital stock	None	Note 1
1999.10	10	2,500	25,000	2,500	25,000	Increment of cash NT\$20,000 thousand	None	Note 2
2000.4	10	4,120	41,200	4,120	41,200	Increment of cash NT\$16,200 thousand	None	Note 3
2000.9	10	9,900	99,000	9,900	99,000	Increment of cash NT\$57,800 thousand	None	Note 4
2001.7	10	15,000	150,000	15,000	150,000	Increment of cash NT\$51,000 thousand	None	Note 5
2002.7	10	21,000	210,000	21,000	210,000	Tech stock NT\$ 60,000 thousand	Tech stock 6,000,000 shares	Note 6
2003.8	18	27,000	270,000	27,000	270,000	Increment of cash NT\$ 60,000 thousand	None	Note 7
2003.10	18	29,000	290,000	29,000	290,000	Increment of cash NT\$20,000 thousand	None	Note 8
2004.1	18	36,000	360,000	34,000	340,000	Increment of cash NT\$50,000 thousand	None	Note 9
2004.3	18	36,000	360,000	36,000	360,000	Increment of cash NT\$20,000 thousand	None	Note 10
2009.12	30	50,000	500,000	36,056	360,560	Increment of cash NT\$560 thousand	None	Note 11
2010.11	10	50,000	500,000	37,859	378,588	Capital increase by transferring of surplus NT\$18,028 thousand	None	Note 12
2011.9	10	50,000	500,000	40,888	408,875	Capital increase by transferring of surplus NT\$30,287 thousand	None	Note 13
2011.12	83	50,000	500,000	43,388	433,875	Increment of cash NT\$25,000 thousand	None	Note 14
2012.04	24	50,000	500,000	44,008	440,079	Employee stock options NT\$6,204 thousand	None	Note 15
2012.10	10	50,000	500,000	48,409	484,087	Capital increase by transferring of surplus NT\$44,008 thousand	None	Note 16
2013.01	40	80,000	800,000	53,042	530,417	Increment of cash NT\$46,330 thousand	None	Note 17
2013.02	24	80,000	800,000	53,297	532,973	Employee stock options NT\$2,556 thousand	None	Note 18

Month/ Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
2013.09	10	80,000	800,000	55,962	559,622	Capital increase by transferring of surplus NT\$26,649 thousand	None	Note 19
2014.03	24	80,000	800,000	56,208	562,086	Employee stock options NT\$ 2,464 thousand	None	Note 20
2014.06	10	80,000	800,000	59,019	590,190	Capital increase by transferring of surplus 28,104 thousand	None	Note 21
2014.12	24	80,000	800,000	59,234	592,338	Employee stock options 2,148 thousand	None	Note 22
2016.08	10	80,000	800,000	62,045	620,455	Capital increase by transferring of surplus 28,117 thousand	None	Note 23
2018.02	10	80,000	800,000	59,045	590,455	Treasury share reduction 30,000 thousand	None	Note 24
2018.08	10	80,000	800,000	73,807	738,069	Capital increase by transferring of surplus 147,614 thousand	None	Note 25
2019.09	10	150,000	1,500,000	81,188	811,875	Capital increased by transferring of surplus 73,087 thousand	None	Note 26

Note 1: Approval of JY Zi No. 87340468 of Construction Bureau of Taipei City Government on October 19, 1998.
Note 2: Approval of BSJSE Zi No. 88345971 of Construction Bureau of Taipei City Government on October 25, 1999.
Note 3: Approval of BSJSE Zi No. 89280975 of Construction Bureau of Taipei City Government on April 28, 2000.
Note 4: Approval of BSJSE Zi No. 89325503 of Construction Bureau of Taipei City Government on September 27, 2000.
Note 5: Approval of J(2001)S Zi No. 09001228200 of Civil Services of Doc, MOEA on July 3, 2001.
Note 6: Approval of J(2002)S Zi No. 09101304180 of Civil Services of Doc, MOEA on July 31, 2002.
Note 7: Approval of JSZ Zi No. 09232488100 of Civil Services of Doc, MOEA on August 8, 2003.
Note 8: Approval of JSZ Zi No. 09232808800 of Civil Services of Doc, MOEA on October 20, 2003.
Note 9: Approval of JSZ Zi No. 09331593930 of Civil Services of Doc, MOEA on January 29, 2004.
Note 10: Approval of JSZ Zi No. 09331877650 of Civil Services of Doc, MOEA on March 29, 2004.
Note 11: Approval of NS Zi No. 0980028767 of Southern Taiwan Science Park Administration on December 25, 2009.
Note 12: Approval of NS Zi No. 0990024356 of Southern Taiwan Science Park Administration on November 5, 2010.
Note 13: Approval of NS Zi No. 1000023845 of Southern Taiwan Science Park Administration on September 23, 2011.
Note 14: Approval of NS Zi No. 1000029971 of Southern Taiwan Science Park Administration on December 6, 2011.
Note 15: Approval of NS Zi No. 1010007820 of Southern Taiwan Science Park Administration on April 6, 2012.
Note 16: Approval of NS Zi No. 1010026797 of Southern Taiwan Science Park Administration on October 30, 2012.
Note 17: Approval of NS Zi No. 1020000730 of Southern Taiwan Science Park Administration on January 11, 2013.
Note 18: Approval of NS Zi No. 1020003932 of Southern Taiwan Science Park Administration on February 18, 2013.
Note 19: Approval of NS Zi No. 1020022718 of Southern Taiwan Science Park Administration on September 11, 2013.
Note 20: Approval of NS Zi No. 1030007680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on March 28, 2014.
Note 21: Approval of NS Zi No. 1030022837 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 5, 2014.
Note 22: Approval of NS Zi No. 1040001256 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on January 15, 2015.
Note 23: Approval of NS Zi No. 1050023001 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 07, 2016.
Note 24: Approval of NS Zi No. 1070006680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on February 27, 2018.
Note 25: Approval of NS Zi No. 1070023518 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on August 14, 2018.

Note 26: Approval of NS ZI No. 1080025362 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 16th, 2019.

(II) Shares and Capital

April 30, 2020/Unit: per share

Types of Shares	Authorized Share Capital			Note
	Outstanding Stock	Unissued Stock	Total	
Common stock (stock of over-the-counter stock)	81,187,549	68,812,451	150,000,000	Limit of employee stock options 3,000,000 Shares

Note 1: On May, 28, 2018, the regular shareholders' meeting passed the amendments of the Articles of Association and increase of the nominal capital amount to NT\$1,500,000 thousand (150,000,000 shares), which had obtained the approval of NS Zi No. 1080025362 Letter of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 16th, 2019

Note 2: Shelf Registration system related information: Not applicable.

(III) Composition of Shareholders

April 30, 2020/Unit: per share

Shareholder structure Number	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Foreigners	Amount
Shareholding Number(share)	0	0	18,612,600	59,381,776	3,193,173	81,187,549
Shareholding Percentage	0.00%	0.00%	22.93%	73.14%	3.93%	100.00%

Note: There is no any investment involved from Mainland China in the Company.

(IV) Distribution Profile of Share Ownership

April 30, 2020/Unit: per share

Shareholding Interval	Number of shareholders	Shareholding Number (share)	Shareholding Percentage (%)
1 ~ 999	3,849	884,306	1.09%
1,000 ~ 5,000	6,720	12,721,688	15.67%
5,001 ~ 10,000	616	4,331,315	5.33%
10,001 ~ 15,000	210	2,590,432	3.19%
15,001 ~ 20,000	77	1,352,164	1.67%
20,001 ~ 30,000	87	2,125,425	2.62%
30,001 ~ 50,000	49	1,804,819	2.22%
50,001 ~ 100,000	47	3,322,336	4.09%
100,001 ~ 200,000	30	4,120,564	5.08%
200,001 ~ 400,000	24	6,580,622	8.11%
400,001 ~ 600,000	13	6,546,754	8.06%
600,001 ~ 800,000	4	2,879,404	3.55%
800,001 ~ 1,000,000	4	3,671,573	4.52%
1,000,001 the above	12	28256,147	34.80%
Total	11,742	81,187,549	100.00%

(V) Major Shareholders

The names, number and percentage of the shareholding of the shareholders with a stake of 5 percent or top ten shareholders:

April 30, 2020/ Unit: per share

Names	Shares	Number of shares held	Shareholding ratio
HSU MING-CHE		5,579,338	6.87%
CHEN LI-FE		3,653,107	4.50%
NEW CHIEFTEK INVESTMENT CO., LTD.		3,360,000	4.14%
DAVID ENTERPRISE CO., LTD.		3,347,776	4.12%
FUBON LIFE INSURANCE CO., LTD.		2,454,900	3.02%
Trans Globe Life Insurance Inc.		2,157,000	2.66%
DENENG SUNSHINE INVESTMENT CO., LTD.		1,423,865	1.75%
HSU CHENG-PU		1,413,532	1.74%
WANG CHANG-FENG		1,392,866	1.72%
DEYUAN MANAGEMENT CONSULTANTS CO., LTD.		1,298,073	1.60%

(VI) Share prices for the past 2 fiscal years, net worth per share, earnings per share, dividends per share, and related information

Item		Fiscal year			
		2018	2019	As of April 30, 2020	
Market price of each share (Note 1)	Highest	211.00	121.00	107.00	
	Lowest	66.00	72.10	48.75	
	Average	142.09	96.31	86.42	
Net value of each share (Note 2)	Before distribution	26.23	24.94	25.17	
	After distribution	22.94	23.95	N/A	
Surplus of each share	Weighted average number of shares		73,807	81,188	81,161
	Surplus of each share (Note 3)	Before adjustment	6.40	2.15	0.54
		After adjustment	5.82	2.15	N/A
Dividend per share	Cash Dividend		1.00	1.00	N/A
	Stock grants	Stock Dividend from Retained Earnings	1.00	-	N/A
		Stock Dividend from Capital Reserve	-	-	N/A
	Cumulative unpaid dividend (Note 4)		-	-	-
Analysis investment reward	Price-earning ration (Note 5)		20.02	41.95	N/A
	Price-dividend ratio (Note6)		128.10	90.18	N/A
	Yield to maturity of cash dividend (Note 7)		0.78%	1.11%	N/A

- * In case of the allotment of shares through transfer of surplus or capital reserve to increase the capital, the market price and cash dividend information of the issued shares retroactively adjusted shall be disclosed.
- Note 1: List the highest and lowest market price of common stock of each year, and calculate the average market price of each year according to the trading value and trading volume of each year.
- Note 2: Please fill in based on the number of shares issued at the end of the year and the resolution of distribution of the board of shareholders in next year.
- Note 3: If the retroactive adjustment is required due to stock grants, etc., the surplus of each share before and after adjustment shall be listed.
- Note 4: If the issuance condition of equity securities requests the unissued dividend of that year should be accumulated to the issuance of surplus year, the cumulative unissued dividend by the end of current year shall be respectively disclosed.
- Note 5: Price-earnings ratio=Average closing price of each share of current year / Surplus of each share.
- Note 6: Price-dividend ratio=Average closing price of each share of current year / Cash dividend of each share.
- Note 7: Yield to maturity of cash dividend=Cash dividend of each share / Average closing price of each share of current year.
- Note 8: The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the accountant in the nearest quarter by the end of print date of annual report, while the rest of field shall be filled in with the data of current year by the end of print date of annual report.
- Note 9: Proposed of 2019 Surplus Distribution and Cash Dividend approved by Board of Directors on April, 28, 2020 and will be reported on Shareholder's Meeting on June, 8, 2020.

(VII) The Company's dividend policy and implementation thereof

1. Dividend policy:

The general final accounts of current year of this company shall be distributed according to the following order in case of surplus:

- (1) Pay duties and taxes.
- (2) Cover the deficit.
- (3) Withdraw 10% as the statutory surplus reserve.
- (4) If necessary, withdraw or transfer back the special surplus reserve in accordance with the provisions of laws or competent authorities.
- (5) For the balance after deduction of the amount withdrawn from the above four items, as well as the undistributed surplus of the previous years, the board of directors shall draft a distribution proposal, and submit it to the shareholders' meeting to decide whether to distribute the shareholder dividend or reserve it, but the dividend distribution amount shall not be lower than 20% of the remaining amount after deduction of the profit of current year according to the provisions of above paragraph 1~4.

In order to continuously expand the operation scale, enhance the competitive strength, and cooperate with the company's long-term business development, future fund demand and long-term financial planning, the dividend distribution policy shall give priority to stock dividend and collocation of part of the cash dividend. The cash dividend distribution sum shall not be lower than 10% of the sum of shareholder dividend to be distributed.

2. Implementation status :

According to Article 21-2 of Company's regulation, the Company shall distribute surplus or subsidize loss after the end of half fiscal year in accordance with the Company Act. For surplus distribution, legal surplus reserves should be estimated in advanced and kept for taxes, regulated loss subsidy. Where such legal surplus reserves amount to the total paid-in capital, this provision should not apply. Surplus distributed in cash should be resolved by Board of Directors before proceeding; as of distributed by issuing new shares, it should be resolved by Board of Shareholders before proceeding.

- (1) Proposed of the Company's surplus distribution of 2019 was approved by the Board of Directors on April, 28th, 2020, which the number of shares held by Shareholders in the register of Shareholders on the record date, a cash dividend of NT\$1.0 per share will be distributed and will be reported to Shareholders' Meeting on June, 8th, 2020.
- (2) Please see below for 2019 Surplus Distribution Table of the Company.

CHIEFTEK PRECISION CO., LTD.
2019 Surplus distribution table

Unit: NT\$ in dollar

Item	Amount	
	Subtotal	Total
Undistributed surplus balance at the beginning of the period		\$ 464,953,802
Minus: Actuarial losses of defined benefit plans		<u>440,386</u>
Reserved surplus at the beginning of the period after adjustment		465,394,188
Distributable Net Income		
Net Income after Tax	174,644,076	
Minus: 10% legal reserve	(17,464,408)	
Minus: Special reserve	(<u>12,347,203</u>)	
Distributable Net Income		<u>144,832,465</u>
Accumulative distributable Net Income		610,226,653
Distribution Amount		
Dividend to Shareholders- Cash (NT\$1.0 per share)	(80,742,549)	
Dividend to Shareholders- Share (NT\$ 0 per share)	<u>0</u>	
Subtotal		(80,742,549)
Undistributed Balance		<u>\$ 529,484,104</u>

Notes:

1. The surplus distribution for this time will give priority to distribution of 2019 surplus.
2. The cash dividend shall be calculated according to the shareholding ratio of shareholders recorded in the shareholders ledger on the dividend distribution base date, until distributed to NT\$1 (neglecting all those less than NT\$1). After the above dividend distribution is passed by the general meeting of shareholders, the board of directors shall be authorized to further arrange the dividend distribution base date and designate special persons for handling all the cash dividend of less than NT\$1.
3. 81,187,549 shares of current capital stock minus 445,000 shares of treasury stock equals 80,742,549 shares of outstanding shares.

(VIII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

The proposal of 2019 Cash Dividend Distribution was resolved and approved on Board of Directors' Meeting on April, 28, 2020, and the proposal was not planned for bonus share, which is not applicable.

(IX) Remuneration of Employees, Directors and Supervisors:

1. The percentages or ranges with respect to employee, director, and supervisor remuneration in accordance with the Company's Articles of Association:

The Company shall pay employees as the remuneration of 3 to 15 percent of the profitability of the current fiscal year, and shall pay the directors and supervisors as the remuneration of not more than 3 percent of the profitability of the current fiscal year, in accordance with the provisions of the articles of association of the company. However, the company's accumulated losses shall have been covered. The employees' remuneration could be paid in cash or shares, which obtained qualification could include the employees of the subsidiary that meet certain specific requirements, which the certain specific requirements are set up by the board of directors.

2. The basis for estimating the remuneration amounts of employees, directors, and supervisors, the calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the

actual distributed amount and the estimated figure, for the current period:

In accordance with the provisions of (2007) JM Zi No. 052 Letter released by Accounting Research and Development Foundation of the Republic of China in March 2007, this Company should regard remuneration of employees, directors and supervisors as the expenses, instead of surplus distribution. For the remuneration of employees, directors and supervisors of current period, if the actually distributed amount through the resolution of the board of shareholders and the estimated amount with discrepancy, it will be regarded as changes in the accounting estimate, and listed as the profit/loss of 2020. Hence, EPS of 2019 has fully reflected the influence on bonus of employees, remuneration of directors, and supervisors on profits, thus this will not affect the estimated calculation of EPS.

3. Remuneration Distribution results approved by Board of Directors:

- (1) The remuneration of employees, directors and supervisors distributed in cash or shares: If there's any discrepancies with the annual estimated amount of recognized expenses, the amount, reason and treatment of discrepancy shall be disclosed:
The Company passed the remuneration of employees and remuneration of directors and supervisors through the resolution of the board of directors on March 11, 2020, shows as following:
 - A. The Company plans to distribute the remuneration of directors, supervisors of NT\$16,000,000 in cash, which equals 6.93% of the year profit situation in 2019. Same as the estimated amount listed on the account book was NT\$16,000,000 for the directors and supervisors.
 - B. The Company plans to distribute the remuneration of employee NT\$ 45,000,000 in cash, which equals 1.95% of the current year profit situation in 2019. Same as the estimated amount listed on the account book was NT\$ 45,000,000 for the employee.
 - (2) Amount of employee remuneration distributed in shares and proportion occupied in sum of un-consolidated or individual financial reporting profit (loss) for the year and total amount of employee remuneration of current period: The cash method is adopted for this time, therefore it is not applicable.
4. Status of actual distribution of remuneration of employees, directors and supervisors of the previous year (including the number of shares distributed, amount and share price), any discrepancies with the recognized remuneration of employees, directors and supervisors, and detailed description of amount, reason and treatment of discrepancy:
- (1) Employee bonus actually distributed by the Company in 2018 was NT\$48,000,000.
 - (2) Remuneration of directors and supervisors actually distributed by the Company in 2018 was NT\$13,013,223.
 - (3) The original board of directors passed the employee bonus, remuneration of directors and supervisors of 2018, and such remuneration had distribute to employees, directors and supervisors; meanwhile, the proposed distribution amount passed by the original board of directors was same with the actually distributed amount.

(X) Stocks repurchases of the Company:

Repurchase time	First (Period)	Second (Period)
Repurchase purpose	Transfer shares to employees.	Transfer shares to employees.
Repurchase period	From November 12, 2014 to January 9, 2015	March 23, 2020 to May 20, 2020
Price range of repurchase	NT\$ 22.30 to NT\$50.40 for each share	NT\$ 37.25to NT\$ 131.00 for each share
Estimated amount of repurchase	Common stock of 3,000,000 shares	Common stock of 5,000,000 shares
Types and amounts of shares that repurchased	Common stock of 3,000,000 shares	Still in execution (445,000 shares as of April, 28 th , 2020)
Amount of shares that repurchased	NT\$118,543,503s	Still in execution (NT\$ 26,530,420 as of April, 28, 2020)
Quantity of shares having already been handled with elimination and transfer	Common stock of 3,000,000 shares(Note1)	Still in execution
Quantity of shares of this company cumulatively held	0	Still in execution (445,000 shares as of April, 28, 2020)
Ratio (%) of quantity of shares of this company cumulatively held in total shares issued(Note 2)	0%	Still in execution (445,000 shares as of April, 28, 2020)

Note 1: Elimination of 3,000,000 shares mentioned above was approved to change registration process on February 27th, 2018 by Management Bureau of Southern Taiwan Science Park. After the capital reduction, total of issued shares are 59,045,489.

Note 2: Total issued shares are 81,187,549 as of April, 30, 2020.

II. Handling status of Corporate Bonds: None.

III. Special stock handling circumstance: None.

IV. Handling circumstance of global depositary receipts (GDR)None.

V. Employee subscription right voucher and circumstance of restriction on handling the employee right offering:

- (I) Circumstance of handling the Company's valid Employee Share Subscription Warrants: None.
- (II) Accumulated to the print date of annual report, name, obtaining and subscription circumstance of the manager who obtains the Employee Share Subscription Warrants and the employee who obtains the voucher, and can subscribe top 10 shares: None.
- (III) Circumstance of handling the privately placed Employee Share Subscription Warrants in the most recent three years: None.
- (IV) Circumstance of handling the New Restricted Employee Shares in the most recent year to the publication date of annual report: None.

VI. Circumstance of handling of new issue of shares with merger or assignee of other corporate: None.

VII. Implement of fundraising circumstance:

The Company has no any each uncompleted public issue or private placement of securities, or to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

V. OPERATIONAL HIGHLIGHTS

I. Business Content

(I) Business scope:

1. Business scope:

(1) Main content of the operating business:

CB01990 other mechanical manufacturing industry.

F401010 international trade.

Research, develop, manufacture and sell the following products:

A. Miniature and standard type linear guide.

B. Miniature and standard type linear module.

C. Photovoltaic and semiconductor process equipment.

D. Concurrently engaged in international trade related to the above products.

E. Server driver.

F. Industrial robot.

G. Encoder.

H. DD Motor and rotation stage.

(2) Business percentage:

Unit: NT\$ in thousand

Product Name	2019		2018	
	Amount	%	Amount	%
Linear Guide	1,229,359	94.54%	2,002,336	96.32%
Linear Motor	70,992	5.46%	76,565	3.68%
Total	1,300,351	100.00%	2,078,901	100.00%

(3) Commodity (service) items of the company at present:

A. All series linear guide.

B. All series linear motor.

C. Linear motor servo driver.

D. Linear motor module and subsystem.

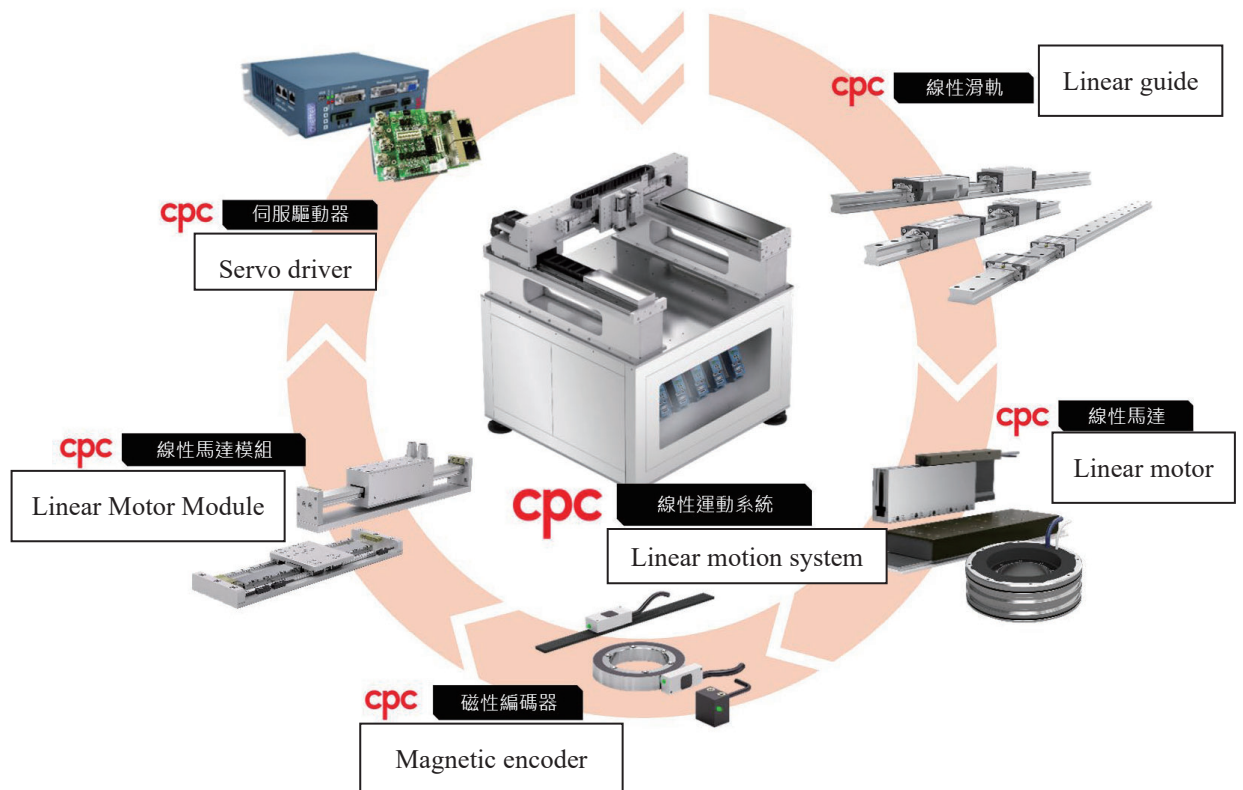
E. Industry robot.

F. Magnetic encoder component.

G. DD Motor.

H. Miniature high-power DC driver.

I. High-precision rotation and positioning stage.



(4) New products (services) that are planned to be developed:

- A. Super thin linear motor module.
- B. PLC Communication adapter.
- C. Miniature DD motor.

2. Industry Summary

(1) Current status and development of the industry

A. Linear Guide

The Linear guide is low friction component that takes the linear motion rolling bearing and guidance as the purpose. The characteristics of the linear guide superiority lie in high load capacity, high service life, high precision, high rigidity, high speed, low friction resistance, small energy consumption small space, standardization, and low cost.

In the linear motion, the linear guide is main component for load bearing and linear guidance. As the industry has increasing requirements for yield rate, speed and space application, etc., the linear guide must have high load capacity, small energy consumption, small space, standardization, low cost and other conditions to meet the industry requirements.

(A) The linear guide can be divided into the following according to different rolling elements:

- Ball type linear guide.
- Roller type linear guide.

(B) According to the size, it can be divided into:

- Miniature linear guide (size: 1, 2, 3, 5, 7, 9, 12, 15).
- Standard linear guide (size: 15, 20, 25, 30, 35, 45, 55, 65).
- Ultra-large linear guide (size: 85, 100, 125).
- Wide linear guide (size: 17, 21, 27, 35).

Based on different areas and different types of industries, the linear guide is widely used in the straight-line motion mechanism of precision machinery and equipment, automation equipment, medical instrument, food and aerospace science and technology equipment, etc. Because of the rapid development of mobile phones, tablets and other portable 3C products, the application of its main manufacturing equipment and non-standardized automation equipment is continuously increasing as well as the requirement of precision and efficiency. In addition, with the progress of medical technology and other precision equipment, the application of micro machinery is also relatively increasing, and the space application and precision of miniature linear guide in space also become relatively important. Therefore, the linear guide has a significant impact on precision, efficiency, quality and cost, etc. of equipment and production.

As the linear guide is applied to all mechanical equipment needing the linear actuation, each manufacturing industry belongs to the application range.

(C) Classified by characteristics:

- High precision: Tool room machine, measuring instrument, semiconductor equipment.
- High speed: Automation machinery and equipment, tool room machine, electronic industry machinery, packaging and printing equipment, optoelectronics industry.
- High load: Large-scale tool room machine, shock absorption system.
- High rigidity: Tool room machine.
- Miniaturization: Semiconductor equipment, electronic machinery, biotechnology, medical equipment, optoelectronics industry.
- Low noise: Semiconductor equipment, electronic machinery, mechanical arm, measuring instrument.
- Low cost: General industry, mechanical arm, handling machinery.

Those belonging to the bulk include the tool room machine industry, automation industry, semiconductor packaging equipment, LCD panel and solar cell process equipment, electronic machine, testing and measuring equipment, biomedical instrument, handling equipment, printing machine, wood-working machine, etc.

In 2017, the requirement of new living industry such as 3C products and electric car market is increasing, that brings development of related industry. The equipment required by those industry processing belongs to high-end equipment. The automation of Industry 4.0 has been developed naturally in the market. The performance and reliability of equipment required by either automation equipment or high level industry is stricter, therefore the requirement for accuracy, durability, reliability of key components is improved relatively. It means the price is not the only requirement of key components, but also include reliability and quality which will be the one of key index.

B. Electronic and mechanical components: Motor (Generators)

The motor has a very wide range of types, which is closely related to our daily life, such as 3C and electrical appliances, industrial products of motor vehicles, aerospace, medical, electronics, automatic tools, machines and equipment, etc., that are absolutely necessary.

It can be roughly divided into induction motor, step motor, servo motor, linear motor and even micro motor according to the type, with the power varying from mini Watt to mega Watt.

The advantages and disadvantages of motor performance can be judged from: motor constant (specific value of power/heat), power density (specify value of power/volume), insulating property, waterproofness, durability, reliability, etc.

The latest development trend of motor is intelligent motor currently, which is the new type products accompanied with Industry 4.0. It combines driver and motor, that different from put drivers into power control chest which cause increased space required by room layout and wiring layout. The strengths of combination of both by intelligent motor is as follows: system layout is more specific (can correspond to the driver – motor clearly), flexibility of layout is higher, simplification of the wiring work and saving space in adaptation box. There are these types of products on the market now.

C. Controlling components:

Such components include frequency converter, driver, controller (cards), PLC and other accessories, such as communication adapter card, security system module, power supply, relay, switch, wire and cable, etc. The development of controller was focus on processing technique in the past, however, industry 4.0 emphasizes integrating “existing” industry-related techniques, data exchanging ability among equipment and process ability of data analysis, and controlled by intelligence. Therefore, the way it shows on products, that the trend of development will rely on the collection and analysis of big data, compatibility between equipment from different brands with fast communication and good communication quality (low noise interference), enhancement of default functional development of machinery (for example: more customized function that allowed users to setup “condition-reaction” openly, software module function that easy to use, and so on) to process the received information in time and make the purpose of intelligent control.

D. Sensing components:

There are such components like human’s nerve, including encoder, image recognition, accelerometer, gyroscope, strain gauge and other components known by the public, and there are all other components that can sense the information from different sources and analyze to conclude into available signals. With the development of technology, the innovation of this aspect quickly changes at a tremendous pace and is limitless.

With development trending of Industry 4.0, sensing components of various types, better precision and multi-signal transmitting format are required to meet requirements of automation equipment and intellectual factories.

E. Mechanical components:

Bearing guidance components: Bearing, linear guide.

Power transmission components: Gear, rack, belt, oil and gas pressure cylinder and balls crew.

There are many other components with different properties, such as locking joint, leak-proof, braking, spring, etc.

F. Linear module:

The linear motion module, as the name suggests, is an integrated platform for performing linear motion, and can be divided into servo motor, stepping motor, linear motor, pneumatic and hydraulic, depending on the driving element. Among them, the linear modules that use rotary motors include belts, screws, and racks as transmission elements. The accuracy, speed, and style of linear modules are increasingly demanded on the market today. Among them, the linear modules that use rotary motors include belts, screws, and racks as transmission elements. The accuracy, speed, and style of linear modules on the market today, which increasingly demands the yield, productivity, and design of automation of various industries. Therefore, the linear motor module has gradually become the only choice for high-speed and high-precision applications; generally speaking, the maximum speed of the linear motor module can reach 10 m/s, and the repeatability is at least less than 1 μm . Moreover, the linear motor require less wear parts, which has great advantages in dust emission, operating reliability and life. It will be an irreplaceable product in the semiconductor and biomedical industry as well as upgrade of panel specifications.

G. Industrial robot:

Key components are an important foundation for the development of industrial robots, and also the key to determining the quality of industrial robots. Frankly speaking, reduction drives and bearings, motors and drives, plus controllers account for more than 70% of the cost of industrial robots. Components are still mainly imported from Germany and Japan. There are indeed some domestic enterprises that have achieved localization, but performance stability, reliability and performance still need to be improved. The development of the manufacturing industry means that the demand for industrial robots has increased because industrial robots can not only improve efficiency and production quality, but reduce labor costs. Currently enterprises have increasingly higher requirements for industrial robot performance in order to further improve production efficiency and products Quality, so high-speed, high-precision and smart modular industrial robots are the primary development trend.

In addition, with more and more specifications and ever-changing 3C products, even the very mature domestic machine tool industry has begun to think about how to make breakthroughs on techniques. As a result, here comes the DD motor application on dividing plate of machine tools, which has improved the use of turbine modules in the past, and greatly shortened the processing cycle.

In terms of control, because each key component manufacturer has its own advantages, the entire industry is gradually improving its processing technology in a cooperative way. In order to increase the reliability of cooperation system, In order to improve the reliability of the entire cooperative system, it is no longer implemented as simple digital signal, instead, it is transferred to communication transmission. Therefore, the development of open communication formats and operating system platforms is also a key field for industrial intellectual development in the next few years.

(2) Relevance of industry upstream, midstream, downstream

- A. Upstream: Raw material: Alloy steel / Stainless steel / Copper wire / Magnet.
Processing: Cold drawing, forging, heat treatment, precision cutting processing, PCB panel layout processing, SMT assembly.
Material: Precision ball, roller, precision injection molded parts, electronic component (IC component, passive component).
- B. Midstream: Manufacturing of linear motion components.
Linear guide, ball screw, linear motor, linear module / stage.
Supporting industry: Mold designing and manufacturing, specialize processing machines.
Precision spindle, high frequency spindle, controller, driver.
- C. Downstream: Machine tool industry, automation industry, semiconductor industry.
LCD panel and solar cell industry, electronic industry.
Medical and biotechnology industry, optical instrument industry.
Aerospace and national defense industry, general machinery industry.

3. Various development trends and competitions of products

(1) Development trend of products

In order to meet the requirements of customers on the market, Chieftek Precision will use its own research and development energy to integrate its own key components and develop linear motor modules and DD motors in different application industries, and continue to extend the product lines to the control side, and development of converting the local area network communication to EtherCAT format, which enables users to have more flexible system options:

A. Linear guide:

Due to the wide application of linear guide, more and more specifications and sizes are required. The standard products on the market currently have a width of 1-65 mm, including the entire biomedical, semiconductor, machine tool and transportation engineering, and it also has extension of the metal type that can work under environment of high temperature and vacuum, ultra-low type with low center, ultra-long type with higher rigidity and linear guide rail with no return channel for limited travel to meet different applications of linear guide. In terms of precision, it has also reached a high-precision specification with a 4 meter long, with running precision of less than 10 μm ; at this stage, CHIEFTEK PRECISION has successfully mass-produced a 2 mm-sized miniature linear guide and has a place in medical instruments.

B. Linear motors and modules:

Due to the direct drive system, linear motors are favored by equipment manufacturers with high production capacity and high precision requirements, and the market acceptance is getting higher and higher. Although the deal on the market is gradually going with the entire linear motor module, there are still many experienced customers choosing to assemble components on their own. Moreover, the ironcore type and the ironless type have their own suitable markets. For example, the ironless type has smoother speed ripple because of its non-toning power characteristics, which is particularly suitable for scanning, and because the suction force between the moving stator is 0, the volume of the mechanism can be reduced and the space is saved; and the ironcore type has the advantage of high thrust density, which is suitable for the occasion of point-to-

point movement.

The linear motor development blueprint of CHIEFTEK PRECISION can be divided into two major manufacturing processes:

a. Manufacturing process for special industries:

To develop a miniature linear motor module with an overall thickness of less than 10 mm. SMT equipment that requires high production capacity and biomedical testing equipment with high axis count density will be able to easily arrange the modules and build the most linear modules within limited space to execute high density multi-axis control.

b. manufacturing process for machine tools:

The demand for linear motors application in machine tools will increase in the future. Currently, we have developed a motor with a thrust of 5,000N. The long-term goal is to develop a ironcore linear motor with a maximum thrust of more than 20,000N, and in order to prevent working temperature from affecting precision of processing when the motor is working, design of loading a cooling device to control temperature is also applied.

C. Servo driver:

With the arrival of Industry 4.0, it means that the demand for Industry 3.0 will greatly increase, and Industry 3.0 mainly focuses on the capabilities of industrial automation. Therefore, the domestic equipment manufacturers' demand for localized components has increased rapidly. In the international market, CHIEFTEK PRECISION has always been a key component manufacturer of precision machinery. For example, all linear guide, linear motors, linear motor modules, motor servo drivers, and even industrial robots are developed and manufactured by ourselves.

In terms of drive control technology, for linear motor drivers, almost there are no domestically developed products, instead, there are mostly equipped with European and American systems, resulting in a significant reduction in price competitiveness and limited autonomous technology. From practical experience, when using the marketing strategy with European drivers, it is found that the current linear motor market development is usually sold as a completed system. The biggest advantage of this strategy is that customers can maintain a fixed technical contact window, but it is also easy to have restricted price due to closed technology just like Japanese brands, which reduces the competitiveness. In response to this situation, CHIEFTEK PRECISION will use years of experience in electromechanical integration to develop a linear motor driver that truly meets market needs. It can be compatible with not only linear motor modules manufactured by CHIEFTEK PRECISION, but also other linear motors, linear guide and optical scale on the market. With using current selling channels, we has established domestic independent brand of drivers.

In the aspect of machinery communication, to adopt information exchanging capability emphasized by Industry 4.0 trend, in addition CANopen communicative interface in the related-industry, CHIEFTEK PRECISION is also developed the driver equip with EtherCAT communicative interface. With efficient and real-time communication performance, EtherCAT is gradually valued and preferred in the industry. Its bottom layer is the architecture of industrial communication protocol based on the Ethernet, which can support multi-axis real-time control function. In view of this, CHIEFTEK PRECISION will not only take the driver based on EtherCAT communication as a slave but in the future, we will develop the motion controller with master identity vertically.

D. Driver software function update:

Linear motor has characteristics of high speed and high precision, the demand for auxiliary software function of linear motor (such as friction compensation, interference filter) is increased with more and more users. Shorten the response time has become the one of main development technique for multi-axis application particularly; in view of this, CHIEFTEK PRECISION have developed a special algorithm to measure the resistance value of the motor, as well as generate motor parameters that can shorten the response time. Meanwhile, considering the safety and electronic components, we have also added compensation and estimation to the current loop. In addition, we have added a number of supported encoders in the driver graphic user interface (e.g. Sine/Cosine, Resolver, EnDat, Nikon, etc.), and we will add Nyquist plot and Nichole's chart to enhance the image visualization and analysis of the data in the future. We have also expanded the streamlined orders supporting underlying virtual machine, and look forward to the future development of features that allow users to write C-language scripts directly. In addition, Two-axis on-board Driver's decoupling function for Gantry Stage is also our development project in response to market demand.

E. Sensor:

Sensor is like the nerve which makes machine can sense outside and be in charge of message transmission. One of the key link of intelligent industrialized is how to obtain required information and transmit through whole inflation network. So the sensor is the critical component to directly decide whether the data is correct or not; the reliability, resolution and anti-dirt of sensor is the key index of quality. Now CHIEFTEK PRECISION has already developed and mass-produced magnetic position sensing component with resolution up to 0.5μ . In the future, will use the micro mechanic and electronic design to extend application on products such as acceleration ruler, force ruler and sensor-related. Focus of the developing directions is as follows:

- a. Higher responding.
- b. Can filter outside noise.
- c. Origin signal is stable (no noise from its own).

F. DD Motor:

With increasing assembling processing demands of big and unusual shaped components, direct drive rotated component, which is necessary for Axis A and C, is a critical component. CHIEFTEK PRECISION will develop frameless DD motor with 70-300mm of its outer diameter. When users have space and price considerations, they will be able to purchase products with only rotor stators. Of course, depending on needs for different loads, speeds and accuracy, we can also customize most suitable drive rotating stage for each customer. Designed for light loads (e.g. wafer equipment) and high precision. In the future, CHIEFTEK PRECISION will develop a full range of frameless and framed DD motors, which can be mainly divided into multi-axis articulated robots, machine tools, and automation industries; its main technical threshold is that it can achieve motor efficiency in a limited space with the highest torque and maximum torque, and providing high-speed DD motors according to customer requirements to become a professional manufacturer of rotary direct-drive motors.

G. Communication Transmission Device:

Currently, the automation industry still depends on the higher-level PLCs of famous foreign manufacturers. When the upper-level communication protocol used to transmit commands is not disclosed, users will be forced to use the entire closed

system, that the expansion of system, cost and technology reliability are all limited. Therefore, there are signal conversion devices on the market, which translate the original copper communication protocol into a public communication protocol, which enable devices to exchange information flexibly.

H. PLC and Controller:

With the increasing level and wild demands of industrial automation and intelligence, automation equipment is gradually moving towards a multi-process integrated system, so small hardware PLCs that use DSP or FPGA as the computing core are no longer sufficient for more and more complex systems. Most of the current solutions will use industrial computers (IPC) as the main body to integrate and process various module functions, such as HMI, visual recognition, PLC, motion control, etc., and then cooperate with specific communication protocols to integrate with PLC and other various devices. To perform the operation and data processing of each device, in this intermediate process, it also began to evolve from a stand-alone PLC to a control platform that can connect various device integration capabilities to achieve automation of the entire plant; Software modularization is built on the control platform of industrial computers, which has become the trend of multi-process integration of whole-plant automation.

(2) Competition

A. Linear guide

The world's first largest linear guide company is Japan's THK, and the second is Germany's Bosch Rexroth, then Schaeffler, HIWIN, IKO, PMI, Schneeberger, **cpc**, NB, etc. The quality leaders are mainly THK, Bosch Rexroth, INA, then IKO, Schneeberger, **cpc**.; while the price leaders are HIWIN, PMI, TBI, etc.

When the linear guide manufacturers continuously increase the company establishment in the mainland with some large factories, in addition to the quality, the price competition is also increasingly fierce. **cpc** has actively put into development of large-scale high load and high rigidity linear guide, and improved the process and design to increase profits. Meanwhile, in response to the fiercely competitive market price, it has also actively developed the high-tech products, such as the linear guide with the miniature size of 1mm and 2mm, to provide the market demand of high precision and micro machine.

B. Linear motor and module

Regarding the development of manufacturing of key components of industry robots, the products such as encoder, motor component, linear guide and driver are all made by **cpc**. It can combine with the practical application in market to optimize the performance of the parts and components. Moreover, it puts into more efforts in the development of process equipment. While improving the entire scale of volume production, it can reduce the yield rate of products. This can control the entire costs better. Moreover, the core technologies are expanded to customer needs, and better products quality are taken as the primary goal, providing innovative and optimal service for customers. In terms of modules, in addition to standard products, we also provide single-axis, XY modules, open-framed platforms and gantry systems according to different needs from customers. We can also provide different dustproof options, which can reach 10m at the longest of travel, 10 m/s of speed and accuracy of 0.3 μm in terms of specifications.

C. DD Motor

Multi-axis is another aspect of precision processing. To reduce the consumption occurred by the time spend of workpiece turnover and material feed in/out and avoid precision difference and cost spend of core changing. At present, rotary axis

of five-axis processing machine use a large number of DD motor progressively to achieve high speed, high precision processing. The structure of DD motor may be imagined the linear motor packaged into one object. Therefore, in the terms of DD motor research and production, it can take over the development experience of linear motor. Which cause the DD motor of CHIEFTEK PRECISION compared with competitor has higher motor performance and reliability. Now cpc stresses the optimization of procedure to have more efficient cost control on products. As for specification, in order to deal with workload and size range of robot arms on the market, we will continue developing DD motor with 30mm at the smallest of its outer diameter, cooperating with torque output from harmonic reduction gear which makes more options for robot arms.

D. Sensor

Germany, Japan are the most automatization countries. Germany and Japan are mature to produce sensor as sensing components of automation, the acuteness and quality are reliable but price is several times more than brand of other countries. Among most of force, visual and distance of sensors, CHIEFTEK PRECISION choose magnetic encoder which can be the feedback devise directly in linear motor system, sale through original owned market channel of linear motor to accumulate practice experience of encoder. It is believed to be the foundation of development of other type sensors.

E. Servo driver

Driver is one of critical components to perform motor control. To correspond the processing requirement of high precision specification at present, capability of driver to control outside factors is higher, also bring the upgrade and response of whole driver hardware to speed up. Now international market share of domestic automation is more than 70%. Facing such mature industrial technique, CHIEFTEK PRECISION developed high price-performance ratio driver products through the view of users to accumulate experience step by step and improve performance specification continuously.

F. PLC and controller

PLC software is a new control method based on PC based control. Users only need to confirm the computer's operating system and CPU to turn the computer into a controller with PLC functions. In order to respond to market demand and implement the investment philosophy rooted in Taiwan, CHIEFTEK PRECISION will continue to invest in talents in related fields to develop software PLC derivative products, such as: IO modules, communication modules, power modules ... etc. Now we have formally transformed into a completely independent research and development system integrator, that we no longer rely on foreign technology. The integrity of products and technical thresholds can be improved, and several benefits brought by its added value will enable CHIEFTEK PRECISION and overall technology industry in Taiwan to be more competitive.

(2) Technology and research and development situation

1. Technological level and research and development of the operated business

As a professional manufacturer of linear motion mechanical and electronic components, CHIEF PRECISION has obtained several invention patents for its products of Taiwan, Mainland China, Germany, the United States and Japan.

The linear guide products have complete size, from size 3(2W) to size 55, all in the range of mass production. Among them, the ball type products are included. Now CHIEF PRECISION is carrying on the mass production of roller type products, ultra-

long, ultra-short, wide type products step by step. The products produced take the realization of best function in the same industry as the goal. In the aspect of load capacity, high-speed operation, low-noise design, self-lubrication design, retaining chain design and miniaturization design, CHIEF PRECISION has also reached the above goals.

In terms of linear motor components, we will continue to develop more specifications to directly replace the competitor market as the target. In addition, we have also begun to develop water-cooled iron core linear motors to maximize the thrust of the motor.

In terms of industrial robots, our research and development types include single-axis, double-axis, orthogonal platform, open frame and Gantry Stage systems with speeds up to 10 m/s, acceleration of 10 G, reproducibility of less than 0.3 μm , and movable stroke even up to 8 meters.

As for the DD motor, we aim at the humanoid articulated robot. In addition to developing the DD motor used in the large-diameter machine tool, we have also designed a DD motor with an outer diameter of 30 mm or less, which is very suitable for driving the palm joint motor.

In the aspect of controller, the goal design is multi-axis controlling to realize real-time control through EtherCAT. In the first step, the automation industry is settled as the major target market and provide humanized user UI. Helps customers' complete rapid and precision working items with smooth data transmission, high-level operating path plan.

2. Yearly research and development expenditure invested in the most recent five years

Unit: NT\$ in thousand

Year	2015	2016	2017	2018	2019
Research and development expenditure (A)	36,985	43,775	65,382	87,175	72,112
Net sales revenue (B)	1,021,983	982,536	1,488,259	2,078,901	1,300,351
Proportion (A)/(B)	3.62%	4.46%	4.39%	4.19%	5.55%

3. Successfully developed technology or products in the most recent five years up to the publication date of annual report

Year	Research results
2015	Roller type linear guide of each size. CLMS dual-track type linear motor module. MMLS magnet motive linear motor module. 20A linear servo driver.
2016	MMLS linear motor module.
2017	ME1 magnetic encoder. DR-105 series frameless DD motor. RP-120 series framed DD motor. Expansion of driver functions. Large 45 roller type linear guide. MXL series enlarge high load linear guide.
2018	DD motor specification expansion (140mm). Customized industrial robots and linear motor modules. EtherCAT communication drive.
2019	DD motor size expansion (175 mm, 210 mm). Ultra-thin linear motor module. DC servo drive.
2020	UFC super thin linear motor module. EtherCAT Communication adapter box. RP-160 series: frame direct-drive motor. 2 mm super micro linear guide.

(3) Long-term and short-term plans for business development:

1. Short-term business development plan

(1) Sales strategy

- A. Use self-own brand, cpc, for global marketing to gain brand awareness and value as well as recognition from other international brands.
- B. Keep improving area operation function to improve the overall revenues.
- C. Aggressively expand the market to increase the market share.

(2) Production strategy

- A. Quality is a result of design, production and management.
- B. No acceptance, manufacturing and leaking of defects.
- C. Quality improvement is always a non-stop activity for all the company.
- D. Aggressively manufacturing of new products.

(3) R&D strategy

- A. Continue expanding specification range of linear guide and provide service of integrated product line with exquisite technology.
- B. Improve the automation and autonomy degree.
- C. Improve precision grade of component.
- D. Take Taiwan as the center of core technology and product development.

(4) Operation strategy

- A. Strengthen training of personnel, attract excellent talents and intensify the concept of profession and working.
- B. Implement the quality policy constantly improved to increase the competitiveness of products.
- C. Implement each management system to strengthen the management performance.
- D. Implement performance audit system to enable employees with potential find their best position.

- (5) Environment and occupational safety and health policy
- A. Providing a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
 - B. Protec the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
 - C. In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
 - D. The environmental protection safety is an uninterrupted activity of entire personnel.
2. Long-term business development plan
- (1)R&D strategy
- A. Development of new products: UFC super thin linear motor module, EtherCAT communication adapter box and RP-160 Series Framed direct-drive motor.
 - B. Closely work with upstream, midstream and downstream suppliers to improve together.
 - C. Implement strength and development of software and hardware to play a long-term roll of creator internationally.
- (2)Marketing strategy
- A. Conduct global marketing for self-brand cpc, to improve brand awareness and value.
 - B. Enhance the management of existing customers and establish good interaction.
 - C. Continuously strengthen the operation function of each region to improve the overall revenues.
 - D. Actively extend market to increase market share.
- (3)Operation strategy
- A. Firmly strengthen the operational performance of subsidiaries. °
 - B. Implement the constant improvement, constant cultivation of personnel quality, and establish the best management team.
 - C. Strengthen the cooperation of the related products and industry.
Implement the industrial division, vertical integration, and strengthen the integration of upstream, downstream industry to establish a powerful product supply chain, and give full play to the advantage of mass production scale economy.
 - D. Strengthen the patent layout.

II. Market and Sales Overview

(I)Market Analysis

1. Sales Region of Main Products

Unit: NT\$ in thousands; %

Sales Area \ Item		2019		2018	
		Net sales Revenue	Percentage	Net sales Revenue	Percentage
Export	America	172,687	13.28%	187,422	9.02%
	Europe	313,149	24.08%	340,951	16.40%
	Asia	362,364	27.87%	651,972	31.36%
	Others	214,671	16.51%	476,573	22.92%
	Subtotal	1,062,871	81.74%	1,656,918	79.70%
Domestic		237,480	18.26%	421,983	20.30%
Total		1,300,351	100.00%	2,078,901	100.00%

2. Market share

Cpc mainly engages in the research and development, manufacture and sale of precision linear motion components, which belongs to the mechanical drive industry of machinery industry. According to the industrial production statistics from Ministry of Economic Affairs, requirements of equipment investment was reduce due to the influence by trade war between the US and China, resulting in reduction of production on linear guide, roll ball screw, electronic manufacturing equipment and machine tool, and 11.39% was reduced in machine equipment industry in the past year. The mechanical drive industry output value of Taiwan in 2019 was about NT\$ 63.5 billion, while consolidated revenue of the Company in 2019 was NT\$1.3 billion, so it could find the market share of the Company in 2019 was about 2.04%. However, component of mechanical drive includes axis, gear, roll bearing and linear guide, so as to the market share of linear guide could be 8% above.

3. Supply and Demand Status as well as Growth of Future Market

- (1) The world is affected by the trade war between the US and China in 2019, and the capital expenditures of each enterprise have been greatly reduced. The global output value of high-tech equipment in 2019 was US \$ 64.88 billion, YoY-20.3%。
- (2) Countries around the world are moving towards automated production. The increase in automation equipment and the sharp increase in demand for medical products and machine tools, it is estimated that the global machine tool output value will be USD 94.076 billion in 2020, YoY+2.00%.
- (3) The demand for global automation and smart automation continues to heat up. Since Industry 4.0 has just started, industrial automation is also an unstoppable trend. The demand for linear guide provides basic growth energy, and the machinery and equipment are designed for miniaturization, which is a great advantage for miniature linear guide.
- (4) The government is promoting "AI Robotics Hub at Park". Tainan Science Park will invest huge outlays, in addition to forming the operation pattern of "center-satellite base network pattern", also build an international flagship of self-manufacture base of intelligent robot, and extend the business potential. The cpc product aims at improving the client machinery product performance, and increasing the client machinery equipment production efficiency. Under the tendency of rapid automation, intellectualization and energy saving of the industry, the using demand of cpc series product shall grow vigorously
- (5) According to statistics from professional institution, the global overall output value of PLC was USD 12.4 billion in 2018, and among them, European, Asia Pacific and North America were the main markets of consumption. Moreover, due to the arrival of Industry 4.0, it is estimated that the output value will grow up to USD 15.9 billion.

4. Competition Niche

- (1) High competitiveness of quality and technology
 - A. With the goal of "product quality" and "product function", cpc increase the value added of the products, and controls the cost strictly.
 - B. Based on the rich R&D experience, and fast reaction to client and market demand.

- (2) Continuously improve technology and develop new products
- A. The **cpc** linear electrical product technology development trends to the “precision”, “speed/efficiency”, “reliability / quality”, “durability/ service time”, “miniaturization / multifunction”, “flexibility / diversity” and “energy conservation / environmental protection”, which are the product development tendency of “big data integration”, “information processing / communication / transmission / confidentiality...”, “remote control”, “AI intellectualization”.
 - B. In the field of linear motor industrial robots, we have mastered the mechanical experience of the lowest level of critical components and processing technology, and long-term sales channels, we can provide customers with the best solution for their most suitable for its application, and with our plant expansion plan, in order to meet the customer's capacity needs.
 - C. In today's energy-saving era, the efficiency of the motor is often an important indicator of the use of the factory. Therefore, will extend the patented technology to the development of rotary products based on our development experience of linear motors, in order to improve the efficiency of the motor to the top.
 - D. Both of controller software which is developed from bottom level, real-time operation system are going to catch up the realization of industry 4.0.
- (3) Good service quality
- A. Good customer service quality can provide the best foundation for the competitiveness of the Company.
 - B. Keep good customer relationship to win the trust from the customers.

5. Favorable and unfavorable factors and countermeasures in the long -term development vision

(1) Favorable Factors:

Since founded, **cpc** has invested in the precise linear motion component R&D, manufacture and marketing, which started from the manufacture of miniature linear guide rail, and then the linear guide rail became the main product. In order to expand the future business opportunity, cpc has launched the development of linear motor product since 2009, and dedicated to the development of control component “linear motor driver” with high added value, as well as the integrated development of linear motor module with the linear guide rail, to satisfy the demand of automated equipment.

Along with the manpower cost increasing and market competition fierce, to reduce the production cost, promote the product manufacture speed and new product development speed becomes the target of the manufacture industry, thus the production equipment automation, numerical control (CNC/NC) and factory automation (FA) have become the goal of manufacture industry input and improvement. Aiming at the demand of production equipment and factory automation (FA), cpc could provide the electromechanical integrated system product and service.

The cpc product is widely applied to the CNC processing machine, testing platform, LCD processing equipment, optical measuring instrument, handling machine, mechanical arm / automatic machinery equipment, PCB drilling machine, automatic card machine (SMT), Die Bonder, Wire Bonder, laser imprinter, laser cutting machine, nano micromachining equipment. CHIEFTEK PRECISION has invested large amount of resources for innovative R&D, to deeply explore the technology field, accumulate its own patent, and market the cpc of own brand to global, which has established the good reputation in the precise machine market

monopolized by Japan and Germany for a long time.

The product competitive advantage, core key technology and main product key technology are described respectively as below:

A. Product competitive advantages of cpc are as below:

- (A) Unique production and manufacture technology: cpc's product quality is stable, because our patent design could reduce the manufacture cost in processing.
- (B) Product R&D capacity advantage: cpc's product is developed and designed by R&D team, and acquires the patent, to make the product functional quality leading in the industry through the quality control of production personnel.
- (C) Complete independent R&D in machinery motor specialized technology: R&D team of cpc controls the key core technology, with excellent integrating capacity.
- (D) Positive input for patent layout: cpc has acquired several innovation patents, and shall input the patent layout continuously to protect the technology and intellectual property in the future.
- (E) Electromechanical integration system engineering.

B. Core key technologies of cpc are as below:

- (A) Bearing technology engineering.
- (B) Manufacture processing technology engineering.
- (C) Motor technology engineering.
- (D) Drive control technology engineering.

C. Key technologies of main products of cpc are described respectively as below:

(A) Miniature linear guide rail

a. Mass production capacity leading in the industry.

Cpc had made the mass production of linear guide rail of size 3 in 2004, which was the pioneer in the industry. Moreover, it is making breakthroughs towards the more advanced linear guide rail of size 2.

b. Design leading in the industry

(a) Embedded patent design:

- i. Greatly simplify the processing, to make the product with absolute competitive advantage in the manufacture cost.
- ii. Make the product extremely micro, unable to cause processing difficulty.

(b) Embedded lubrication pad design: to make the product with permanent lubricating effect.

(c) Exclusive reinforced pad patent design: to make the product running speed reaching 10 m/sec, higher than the general running speed of 3~5m/sec.

(d) Operating smoothness could realize the optimal performance.

(B) Standard linear guide rail

a. Design leading in the industry.

b. German heavy load capacity design: cpc's product mainly adopts the German design, to make the product load capacity higher, and service life longer.

c. Reinforcing plate patent design: cpc has the unique reinforcing plate design, to make the running speed reaching 10 m/sec.

d. Embedded lubrication pad patent design: to make the product with permanent lubricating effect.

- e. Waterproof, iron scrape preventive and sealed design: to make the product running smoothness realizes the optimal performance.
 - f. Product service life is longer than other competitors.
- C) Ironless linear motor
- a. Design leading in the industry
 - (a) High-efficiency design:
The cpc adopts the own researched and developed coil stacking patent technology, with the professional magnetic recording analysis software, to manufacture the maximum motor efficiency of maximum thrust generated under energy consumption per unit of same specification and dimension.
 - (b) Patented heat dissipation design:
With compact internal design matching the heat dissipation patent technology of special material, cpc's linear motor is featured in the heat dissipation of low thermal resistance.
 - (c) High thrust density design:
The cpc linear motor featured in high efficiency and low thermal resistance, presents the high thrust in the same dimension compared to the competitor, to make the client saving the needed space for motor installation.
 - (d) Production technology guarantee:
Since the linear motor belongs to the key component of high-precision application industry, all the processes are researched, developed and manufactured by cpc own, thus it could indeed control the manufacture quality and quick customized response.
- (D) Ironcore linear motor
- a. Design leading in the industry
 - (a) Low-pause-power design / low-adsorption design:
Although the ironcore linear motor has high thrust density compared to the ironless type, there also goes along with the pause power, while the pause power would increase the difficulty in the motor running stability and control; thus, cpc adopts the special structure design matching the practice and simulation to realize the ironcore linear motor with low pause power.
The adsorption force of ironcore linear motor with special design structure is below half of that of the industry under the same thrust.
 - (b) Structure design maximum motor constant:
Optimize the ironcore linear motor's structure group, and build the Hall component sensor inside the forcer, to achieve the minimum dimension and high heat dissipation capacity to realize the maximum motor constant.
- (E) CHIEFTEK PRECISION follows the extension of linear guide rail product, to develop the water-cooled linear motor suitable for machine tool and PCB drilling machine, featured in controlling the motor temperature rising degree by the cooling liquid under the high-load operation, to avoid influencing the processing plane temperature for thermal expansion. While in the direct drive system, the common component DD motor in the rotational motion is also one of the development key products.
- (F) DD motor

a. Highest motor efficiency:

The design of DD motor still takes the maximum motor efficiency as the development goal, which can make the entire system achieve the energy-saving goal effectively.

b. Low cogging:

In the application of ironcore motor, the silicon steel plate will generate cogging when moving from N pole to S pole as the magnetic field has 180-degree magnetic rotation direction. Generally, it should design the cogging within 2% of rated torque, which can obtain high response for controlling.

c. Large hollow external diameter:

The application of DD motor mostly fixes the load on the motor. The central hole of DD motor is usually used as the path of flat cable. With the increasing integration of the device, the wiring becomes more and more complicated. In this case, the size of hollow diameter is one of the indicators considered by the user.

d. Guarantee of production technology:

The performance of cpc DD motor is far superior to other competitors in the market. Aside from the leading design, another key is the powerful process that can realize more strict processing conditions than other competitors. Besides the precision machining of fixture, the entire processing devices are self-designed and manufactured. Thus, the production technology is mastered by its own.

e. Completed Specification:

The target specification is from 30 mm to 210 mm in outer diameter. Each outer diameter has different thickness options, allowing users to choose the DD motor that is most suitable for their mechanism under the same rated torque output, and also for future robotic arms and AGVs as well as drones of market demand, and the design uses 48 Vdc as the main driving power supply.

(G) Magnetic encoder

High resolution and high precision: The magnetic encoders CHIEFTEK PRECISION developed which have been able to achieve the resolution up to 0.5 μm , and achieve the precision up to 10 $\mu\text{m}/\text{muse}$ with our own unique calibration method, so we can provide another type of linear encoder in the market.

As for different applications, we have also designed the read head to be able to directly combine with the slide, and even directly read the magnetic pole of the stator for position feedback.

(H) PLC and controller

Technology was completely independent development, from the bottom operation system software to UI control interface all can be handled totally. Which will establish efficiency channel onto the good foundation of electromechanical business.

(I) Servo Drive

With the demand for mobile machinery has increased significantly (such as AGV, Drone, etc.), increasingly importance has been attached to DC drives, especially with the advent of Harmonic Driver, the maximum speed of the motor itself has also been greatly challenged, so high current drive devices is required to achieve the application conditions at this time. Therefore,

CHIEFTEK PRECISION will use fully autonomous technology to develop small-volume, high-power servo drives.

(J) EtherCAT transfer box

The device is an EtherCAT motor controller, which replaces the traditional pulse wave signal controlled by PLC, improves the anti-noise ability, enhances the stability of the system, and provides simultaneous conversion support of up to 12 axes. The device communicates with the existing PLC, which obtains the data of the internal components of the PLC, and then converts the corresponding commands, which are transmitted from the EtherCAT of the device to the cpc driver. In addition, the driver information can be collected by EtherCAT and written to the specified PLC component in order to achieve command and feedback the bus signal.

(2) Unfavorable Factors and Countermeasures

A. Difficulty in talent acquisition and cultivation

Industry 4.0 need more development talent, the trend of manpower towards simplified and high quality. This cause difficulty in talent acquisition, as well as the government policy such as “one fixed day off and flexible rest day” increased the cost of human resource.

Countermeasures:

(A) Cpc’s main technology is developed on its own, thus the internal training mechanism shall be independent; in the handling principle of divided management, clear rights and liabilities, distinct right and wrong, encouraging innovations, and continuing improvements.

(B) With the excellent brand image of the Company, to attract more talents to join the Company.

(C) It should promote the welfare system of the Company, to attract and retain the talents.

(D) Improve level of automation to lower operation by human.

B. Due to the influence by the trade war between the US and China, many countries around the world including China do not have expected economic growth; Moreover, with severe situation caused by COVID-19, global economic activities and production pace are disturbed.

Contingency plan:

(A) Continue to collect and pay close attention to the possible impact of the epidemic on various industries, and study corresponding solutions.

(B) Continue to develop smart manufacturing application platform solutions, expand automation and intelligent production lines and the cooperation of industry, academy and research circles.

(II) Important Uses and Production Procedures of Main Products:

1. Important Uses of Main Products

(1) Linear guide rail

Mainly apply to the automation industry, machine tool industry, TFT-LCD, photoelectrical manufacture detection and carrier, electronic industry machinery equipment, and semiconductor manufacture detection/packaging/handling equipment, medical instrument, printing and packaging machine, industrial machine and aerospace industry, and national defense industry, etc.

(2) Linear motor

The machinery equipment with output capacity demand are the main selling market of linear motor. Taking the ironless linear motor as example, it has no pause power and has light forcer, which is particularly suitable for the application in the semiconductor industry, panel industry, biochemical technology, laser cutting and automation industry. While the ironcore linear motor with high thrust and low stator cost is suitable for the application in the automated storage, solar energy industry, laser industry, panel industry, and semiconductor carrier and automation industry.

(3) Driver and linear motor module

At present, the major linear motor goes with the driver in the drive method of one to one, thus the occasion to use the linear motor is also the market of driver and linear motor, which is just different in the using habit and form of the client.

(4) DD motor

It is mainly divided into frameless (DR) and framed (RP) series. The difference between these two types is that the RP series doesn't only have rotator and stator, but also includes bearing, encoder and other processing parts. The entire product is modularized when being provided for user. The market demand of DR series is that the customer can purchase the stator for using when there are special restriction on cost or space, such as the manufacturer of rotation motor and robotic arm. On the other hand, the RP series allows the user to fix the load on the rotating table directly, which is for the high-speed and high-precision application. Currently, the main application scenarios include the panel industry, automation device, biomedical robot, machine tool industry and semi-conductor industry.

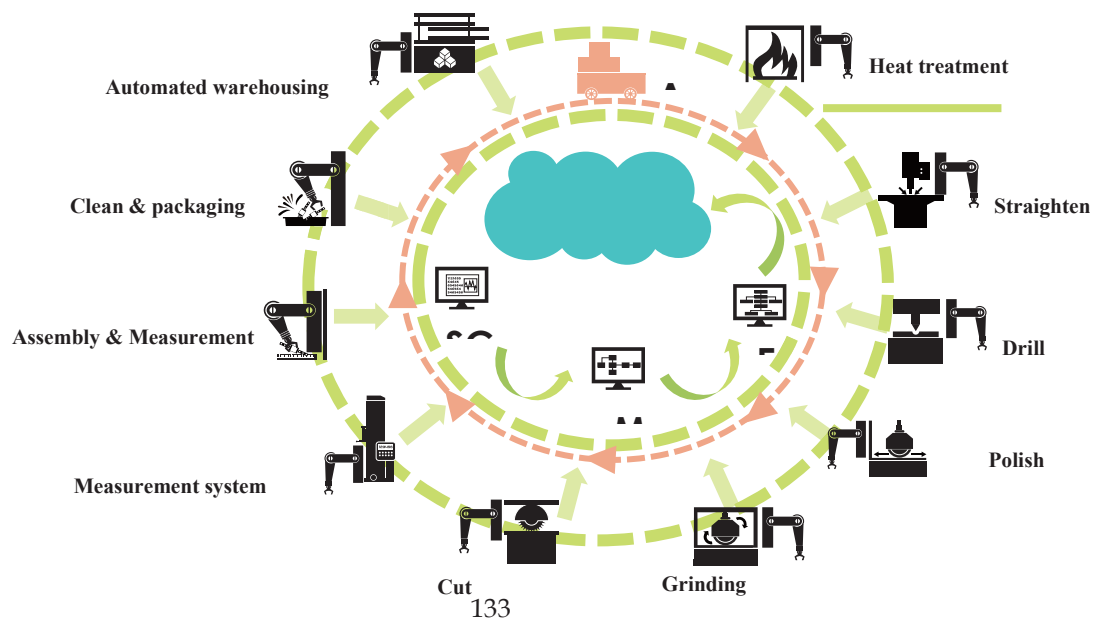
(5) Magnetic encoder

Encode is massively used as the product of position feedback in the industries, with the resolution reaching $0.5\mu\text{m}$. Therefore, its track can be found in the entire rotation or linear motion system. It is naturally included in cpc's development plan of key parts and components.

2. Production Procedures of Main Products

The main production flows of the product produced by **cpc** are as below:

(1) Linear guide



(2) Magnetic part of motor



(3) Winding part of motor



(4) Linear motor module and industry robot



(5) Magnetic encoder and driver



(III) Supply Status of Main Materials

Cpc mainly engages in the manufacture of linear guide rail, whose major raw materials are the cold drawn, plastic fittings and steel balls, and the purchase source is the domestic and overseas manufacturer, which all have established the long-term and good cooperation relation with the Company. As of now, the supplying condition of major raw materials of the Company is good.

Major raw material	Supplier	Supply condition
Cold drawn	Company A 、 Company B 、 Company P 、 Company M	Normal
Plastic fittings	Company E 、 Company I	Normal
Steel ball	Company C 、 Company O	Normal

In addition, the major raw materials of linear motor are the rare earth magnet, enameled wire and epoxy resin, with suppliers all over the world, with long-term and good cooperation mode, to ensure the normal and good major raw material supply.

Major raw material	Supplier	Supply condition
Rare earth magnet	COMPANY A 、 COMPANY B 、 COMPANY C 、 COMPANY D	Normal
Enameled wire	COMPANY E 、 COMPANY F	Normal
Epoxy resin	COMPANY G 、 COMPANY H 、 COMPANY I	Normal

Linear motor driver

Major raw material	Supplier	Supply condition
PCB board	COMPANY A 、COMPANY B 、	Normal
Electronic component	COMPANY C 、COMPANY D 、 COMPANY E	Normal
Shell	COMPANY F 、COMPANY G 、 COMPANY H	Normal
Cooling fin	COMPANY H 、COMPANY I	Normal

(IV) Lists of Major Suppliers and Customers

1. Major Suppliers in the 2 Most Recent Fiscal Years and Purchased Amount and Percent as well as Change Reason Explanation

Unit: NT\$ in thousands; %

Item	2017				2018				As of the previous quarter in 2019 Fiscal Year			
	Comp any Name	Amount	Percent in the annual purchases (%)	Relati on with Issuer	Comp any Name	Amount	Percent in the annual purchases (%)	Relati on with Issuer	Comp any Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	COMPANY A	144,607	24.84	None	COMPANY A	44,691	25.41	None	COMPANY A	15,739	30.09	None
2	COMPANY B	75,472	12.97	None	COMPANY B	22,439	12.76	None	COMPANY D	8,899	17.01	None
3	COMPANY C	70,904	12.18	None	COMPANY D	14,858	8.45	None	COMPANY B	5,119	9.79	None
	Others	291,084	50.01	None	Others	108,722	53.38	None	Others	22,552	43.11	None
	Net total supplies	582,067	100.00		Net total supplies	175,852	100.00		Net total supplies	52,309	100.00	

Note 1: Major suppliers with gross purchase over 10% in the 2 most recent fiscal years and purchase amount and percent are list above, but the contract has stipulated not to disclose the supplier name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Increase or decrease reason: in 2019, it showed an obvious increase rate if compared to 2018. It was mainly because the trade war between the US and China continues, which makes low prosperity in the industry and low requirements from the market as well as decrease of purchase amounts of suppliers.

2. Major Customers in the 2 Most Recent Fiscal Years and purchased Amount and Percent as well as the Change Reason Explanation

Unit: NT\$ in thousand ; %

Item	2018				2019				As of the previous quarter in 2020 Fiscal Year			
	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	Company A	175,096	8.42	None	Company B	72,795	5.60	None	Company D	13,441	6.42	None
2	Company B	82,622	3.97	None	Company C	62,894	4.84	None	Company E	11,488	5.48	None
	Others	1,821,183	87.61	None	Others	1,164,662	89.56	None	Others	184,561	88.10	None
	Net total supplies	2,078,901	100.00		Net total supplies	1,300,351	100.00		Net total supplies	290,490	100.00	

Note 1: Major customers with gross sales over 10% in the 2 most recent fiscal years and sale amount and percent are listed above, but the contract has stipulated not to disclose the client name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Increase or decrease reason: In 2019, due to the influence by the trade war between the US and China, requirement of the market decreased, which resulted in greatly drop of revenues in 2019, comparing to 2018.

(V) The Production Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Major products \ Year	2018			2019		
	Capacity	Volume	Value	Capacity	Volume	Value
Linear guide rail and slide base	964	819	1,284,261	812	690	1,097,314
Linear motor	40	34	47,426	56	48	59,048
Others	-	-	-	-	-	-
Total	1,004	853	1,331,687	868	738	1,156,362

Note: Production change and its analysis: Mainly due to the significant drop in revenue in 2019, in response to decrease of sales demand, the production volume and production value in 2019 was significantly lower than that in 2018.

(VI) The Sales Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Sales volume \ Major products \ Year	2018 Fiscal Year				2019 Fiscal Year			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Linear guide rail and slide base	207	299,095	1,960	1,136,662	142	215,057	1,749	1,014,302
Linear motor	17	24,684	8	27,818	15	22,578	14	48,414
Total	224	323,779	1,968	1,164,480	157	237,635	1,763	1,062,716

Note: Sales change and its analysis: Mainly due to the influence of industry prosperity in 2019, requirement of market decreased, which resulted in obvious low amounts and values of both domestic and overseas.

III. Number of employees of recent two years as of printed date

April 30, 2020

Fiscal Year		2018	2019	2020 Fiscal Year up to April 30 th
Number of Employees	Administrative staff	92	113	101
	R & D personnel	46	28	26
	Business personnel	38	41	37
	Field staff	333	410	378
	Total	509	592	542
Average Age		36.26	37.3	36.16
Average Years of Service		4.19	4.89	4.15
Education distribution ratio	Ph.D.	0%	0%	0%
	Masters	6.4%	3.7%	4.4%
	Bachelor's Degree	45.8%	56.5%	56.4%
	Senior High School	47.3%	31.8%	31.9%
	Below Senior High School	3.2%	3.7%	3.7%

IV. Environmental protection expenditure

For the loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report, and the future countermeasures as well as possible expenditures:

- (I) According to the regulation provisions, those applying for the pollution facility setting license or pollution discharge license or payable pollution prevention expense or needing to set the environmental protection specific personnel, the explanation of application, payment or setting condition is as below: cpc is the linear guide rail manufacturer, located in Southern Taiwan Science Park, and has applied and acquired the pollution facility setting license or pollution discharge license according to the environmental protection laws.
- (II) Main equipment and its usage as well as possible benefit invested by the Company for the environmental pollution prevention:

Unit: in thousand; April 30, 2020

Equipment Name	Qty.	Acquisition Date	Invested Cost	Balance	Usage and Estimated Benefit
Smoke extraction	1	103.12.04	1,167	702	Smoke treatment
Waste collection yard	1	105.08.01	517	421	Waste collection and treatment
Smoke extraction equipment	1	103.03.28	550	246	Smoke treatment

- (III) During the environmental pollution progress of the Company in the latest year and up to the printing date of this annual report, there is any pollution dispute, and it shall describe the disposal process: the Company has no pollution dispute during the latest year and up to the printing date of this annual report.

(IV) During the latest year and up to the printing date of this annual report, the loss (including compensations) and punishment sum caused by the environmental pollution of the Company, and disclosed future countermeasures (including improvement measures) and possible expenses (including the estimated amount of possible loss, punishment and compensation if not taking the countermeasures; if unable to estimate reasonably, it shall state the fact unable to estimate reasonably): None.

(V) Present pollution status and influence of improvement to the company surplus, competition status and capital expenditure, and estimated significant environmental protection capital expenditure in future two years: None.

V. Labor Relations

(I) Employee welfare measure, advanced study, training, retirement system and implementation condition, and agreement on labor and capital as well as various staff rights and interests maintenance measure condition of the Company:

1. Employee welfare measures and its implementation status:

◆ Reward measures

- (1) Year-end bonuses.
- (2) Employee Remuneration.
- (3) Business bonuses.
- (4) Lunch and dinner allowances.
- (5) Performance bonuses / Technical allowance.
- (6) Special bonuses / Production bonuses / outstanding performance bonuses.
- (7) Operating bonuses.
- (8) R & D Patent bonuses.
- (9) Referral bonuses.
- (10) Other wage adjustment for performance mechanism and flexible reward system.
- (11) Appropriation of retirement pensions.

◆ Insurance and subsidies

- (1) Labor Insurance.
- (2) Health Insurance.
- (3) Occupational Injury Insurance.
- (4) Casualty insurance, Group insurance.
- (5) Catastrophic illness and Emergency Condolence / Subsidies, etc.

◆ Equipment

- (1) Employee Restaurant.
- (2) Free parking area.
- (3) Breast-feeding room.
- (4) Set up Automated External Defibrillator (AED).

◆ Holidays / take time off system.

- (1) 2 days off a week.
- (2) Annual paid leave of absence.
- (3) Paternity leaves.
- (4) Pregnancy checkups leaves.
- (5) Family care leaves.
- (6) Female worker menstrual leaves.

◆ Others

- (1) Internal and External Education and Training for Employee.

- (2) Employee Welfare Committee.
 - Holiday bonuses/Gift, Year-end party, Bonuses/Gift.
 - Wedding subsidies, Hospitalized condolences, etc.
 - (3) Regular physical examination.
 - (4) Set up health management consultant and regular occupational physician to visit during the health consultation period.
 - (5) Strengthen the knowledge and training related to industrial safety, occupational safety, fire prevention and disaster prevention for the employees, and set up self-defense fire prevention team, and conduct fire prevention advocacy and drills regularly.
2. Employee advanced study, training system and implementation condition:
- The Company dedicates in creating the study environment for talent sustainability and excellent competitiveness improvement, specially formulates the “educational training management procedure” and “educational training operational procedure”, to cultivate the proper excellent talent via the internal and external training resource.
- At present, the Company provides a series of common knowledge, professional skill and management educational trainings, to cultivate the section head and senior employees as the internal lecturer to inherit the company culture and skill, and also irregularly invite the external specialists to give instructions. In 2019, the Company held training course over 2,390 classes, total training hours nearly 3,295 hours, and total participated persons of 35,123 person-times.
- The training courses in 2019 include:
- (1) New employee educational training: It includes the company regulations, labor, safety and health related introduction as well as the arrival guidance; every new employee has the educational trainer, to assist adapting the work environment, and getting familiar with the work content as soon as possible.
 - (2) Common knowledge training: It refers to the common knowledge training activity required by government decree, company policy and the whole company or all sectors at each level, such as: education of prohibition and prevention of insider trading, staff HSE educational training, safety and health training course, quality training course, factory emergency response training course, and personal performance management series course.
 - (3) Professional training: It refers to the technology and professional training of each unit, such as R&D course, processing course, finance and accounting course, information technology course.
 - (4) Supervisor training: It refers to the planning of supervisor management training and development course. The content includes the management and leadership control course as well as other supplementary courses.
 - (5) Direct personnel training: It refers to the training course providing the necessary knowledge, skill and attitude of technical personnel on production line, such as the machine skill training course for direct personnel.
 - (6) Periodically make the technical evaluation and performance evaluation, positively train the reserve leaders and talents.
 - (7) Hold the internal and external education and training related to the issue of faithful management (including faithful management comply with the requirements of laws

and regulations, food safety and hygiene, inspection, accounting system and internal control systems and other related courses).

(8) Internal and external education and training for accounting supervisors and auditors.

3. Employee retirement system and implementation condition: the Company's retirement system is mainly based on the relevant laws and regulations of Labor Standard Act.

(1) For the company in the Republic of China: It shall follow the labor retirement management regulation of Labor Standard Act, and allocate the pension reserve monthly to the labor retirement reserve fund supervision committee special account according to the provisions. Moreover, it has overall implemented the "Labor Pension Act" since July 1, 2005, in which the applicable provisions are as below:

A. Employee arriving the post after July 1, 2005 (included) shall be entirely applicable for the "Labor Pension Act".

B. Employee arriving the post before July 1, 2005 (excluded) shall select the pension provision of "Labor Pension Act" or "Labor Standard Law" depending on personal actual demand within five years since July 1, 2005; if the employee doesn't make selection before the due date, s/he will continuously apply the pension provision of "Labor Standard Law" since the implementation date

C. If the colleague has any one of the conditions below, it shall apply for retirement voluntarily:

(A) Taking office over 15 years (included) and over 55-year-old.

(B) Taking office over 25 years (included).

(C) Taking office over 10 years (included) and over 60-year-old.

D. If the colleague has any one of the conditions below, it shall be forced to handle the retirement:

(A) Over 65-year-old.

(B) Lunacy or physically disabled for the work.

If the specific work dangerous in nature, or requires substantial physical strength or otherwise with a special nature, a business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph according to the Article 54 paragraph 2 of Labor Standard Act, however, the age shall not be reduced below fifty-five. If an employee meets the requirements of mandatory retirement and compliance with the Article 11 of the Labor Standards Act may be terminated the labor contract, it shall be treated in a retirement manner according to the Labor laws and regulations.

E. Pension payment standards:

(A) For the employees arriving the post before March 1, 1998(not including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number additionally for every one full year, which shall not exceed 61 cardinal numbers at most.

(B) For the employees arriving the post after March 1, 1998(including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number for every one full year, which shall not exceed 45 cardinal numbers at most except for the compulsory retirement due to occupational injury and disease.

(C) For the employees retired compulsorily, if the lunacy or physical disability is caused by the work and results in compulsory retirement, the pension shall be paid based on 20% plus the above regulation.

F. Under the new pension system, it shall monthly allocate 6% to labor pension special account, and estimate the balance of labor pension reserve by the end of every year. If it is less than the amount to be paid for the employees who meet the retirement conditions within one year according to subparagraph 1-1 of Article 53 or Article 54, it shall appropriate the difference at one time by the end of March in the next year. Moreover, it shall be submitted to the Supervisory Committee of Workers' Retirement Fund for review.

G. It shall advocate the personal voluntary pension contribution, and encourage improving the economic life after retirement from diverse perspectives.

(2) For the company in China: For the endowment insurance after labor retirement, the company shall pay the endowment insurance based on the local laws and regulation at the premises of the enterprise.

A. According to the operation of local social insurance, the endowment insurance is included in social insurance (including medical insurance, maternity insurance, endowment insurance, occupational injury insurance, and unemployment insurance). After adding member for social insurance, the company shall starts to fulfill the obligation of paying endowment insurance.

B. If the employee reaches the retirement age stipulated by laws, and pays the endowment insurance (including the deemed years of contribution) for 15 years accumulatively, s/he shall be eligible to the treatment of basic endowment insurance, which is composed of the following:

(A) For those working since January 1, 1993: Basic pension+ pension of personal account, explained as below:

a. Basic pension: When employee is retired, the monthly wage of workers employed in the previous year *individual payment years *1%.

b. Pension of personal account: When employee is retired, the balance in account /months paid for retirement.

4. Agreement on labor and capital as well as various staff rights and interests maintenance measure condition:

The Company adopts the open and two-way communication method for the policy advocacy and employee opinion, uses E-MAIL and bulletin board to timely deliver the relevant information, complaint box, conference communication, supervisor communication, and welfare committee. In addition, it sets up the employee communication and care channel for the foreign employees. With the assistance of translator, it improves the adaptation and performance of foreign employees in work and life. This is to maintain the labor and management relation harmoniously, without labor and management disagreement.

(II) During the latest year and up to the printing date of this annual report, for the losses caused by labor dispute, and disclosure of current and future possible estimated amount and response measures:

1. As of now, there is no significant labor dispute, and there is no labor and capital disagreement, nor the loss caused by labor dispute.

2. Current and future possible response measures:

(1) Fully abide by the labor law.

(2) Continuously maintain the open and honest labor-capital communication channel and complaint channel.

3. Current and future possible losses: the labor-capital relation of the Company is normal and harmonious, which shall not cause significant loss.

Contract Nature	Counterparty	Contracted Period	Major Content	Restrictions
Medium and long-term borrowings	Mega International Commercial Bank	August 21, 2018~August 21, 2023	Credit granting contract	None
Medium and long-term borrowings	O-Bank	November 1, 2017~November 1, 2020	Credit granting contract	None
Medium and long-term borrowings	E.SUN Bank	September 23, 2016~September 23, 2021	Credit granting contract	None
Medium and long-term borrowings	Taipei Fubon Commercial Bank	August 22, 2019~February 2, 2022	Credit granting contract	None
Medium and long-term borrowings	Taipei Fubon Commercial Bank	March 20, 2020~ March 20, 2025	Credit granting contract	None
Medium and long-term borrowings	Nine banks including E.SUN Bank	October 5, 2017~October 5, 2022	Joint credit granting contract	Note 1
Medium and long-term borrowings	Eleven banks including Mega International Commercial Bank	Note 2	Joint credit granting contract	Note 2
Medium and long-term borrowings	BANK OF THE WEST	August 24, 2017~August 24, 2024	Joint credit granting contract	Note 3
Land lease	Southern Taiwan Science Park Administration, MOST	January 01, 2003~December 31, 2022	Land lease contract	No
Land lease	Southern Taiwan Science Park Administration, MOST	August 28, 2014~August 27, 2034	Land lease contract	No

VI. Important Contracts

Note 1: 1. The Company signed an interim-guaranteed joint credit granting contract on July 5, 2017 with nine banks including Mega International Commercial Bank. The contract under question features a total credit amount of \$1,200,000, with a credit granting period of 5 years. The Company shall follow the provision and make commitment of following items to the joint loan bank consortium during the joint credit granting period:

- (1) During the joint credit granting period, according to the accountant checked annual report or accountant audited consolidated financial statement of second quarter, the Company shall maintain the following financial ratio, and be inspected once every half year:
 - A. Liquidity ratio (current asset/current liability): over 100% (included).
 - B. Debt ratio (total liability/net value): below 150% (included).
 - C. Tangible net worth (amount of stockholders' equity deducting intangible asset): over NT\$1,000,000 thousand (included).
- (2) If the company does not meet the above financial ratios and standards, the company should adjust it within 9 months after the end of the fiscal year or semi-annual period. If the adjusted financial ratio after accounting adjustment or review meets the agreed, it is not considered a breach of contract. During the adjustment period, the unutilized

- credit line of the credit will suspend the use of the equity to the financial ratio in accordance with the agreement, and the unused principal balance will be used. The financing interest rate shall be from the second payment date after the management bank's notice to the next payment of the agreed interest rate, the annual interest rate of the joint credit agreement is increased by an annual interest rate of 0.125%.
2. As of December 31, 2019, the financial ratio of the company did not violate the above commitment.
 3. Compensation made on March 27th, 2020.

- Note 2 : 1. The Company signed an interim-guaranteed joint credit granting contract on February 19th, 2020 with eleven banks including Mega International Commercial Bank. The contract under question features a total credit amount of \$2.9 billion, with a credit granting period of 7 years starting from the date of first activation. The Company shall follow the provision and make commitment of following items to the joint loan bank consortium during the joint credit granting period:
- (1) During the joint credit granting period, according to the accountant checked annual report or accountant audited consolidated financial statement of second quarter, the Company shall maintain the following financial ratio, and be inspected once every half year:
 - A. Liquidity ratio (current asset/current liability): over 100% (included).
 - B. Debt ratio (balance of debt/net value): For 2010, it should maintain below 220%; For 2021 and 2022, it should maintain below 200%; Starting from 2023, it should maintain below 180%(inclusive).
 - C. Lowest tangible asset (net value-intangible asset): It should maintain above NT\$ 1 billion.
 - (2) If the company does not meet the above financial ratios and standards, the company should adjust it within 9 months after the end of the fiscal year or semi-annual period. If the adjusted financial ratio after accounting adjustment or review meets the agreed, it is not considered a breach of contract. During the adjustment period, the unutilized credit line of the credit will suspend the use of the equity to the financial ratio in accordance with the agreement, and the unused principal balance will be used. The financing interest rate shall be from the second payment date after the management bank's notice to the next payment of the agreed interest rate, the annual interest rate of the joint credit agreement is increased by an annual interest rate of 0.125%.
2. The first allocation has not been activated as of the publication date of the annual report.

Note 3: This is a credit granting contract between the subsidiary Chieftek Precision International LLC and BANK OF THE WEST.

VI. FINANCIAL INFORMATION

I. Five-year financial summary of condensed balance sheet consolidated condensed statement of comprehensive income

(I) Condensed Balance Sheet and Consolidated Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ in thousand

Fiscal Year		Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		1,195,278	1,199,483	1,479,621	1,998,305	1,684,170	1,697,722
Real Estate, Plant and Equipment		661,307	892,019	999,260	1,035,570	1,290,959	1,414,104
Intangible assets		53,104	68,707	123,173	124,977	120,990	118,267
Other assets		366,567	36,164	36,765	88,532	224,048	213,721
Total assets		2,276,256	2,196,373	2,638,819	3,247,384	3,320,167	3,443,814
Current liabilities	Before distribution	446,440	440,085	663,719	774,282	677,099	968,696
	After distribution	474,557	499,130	722,764	848,089	757,842	Note 2
Non-current liabilities		510,285	397,872	445,364	537,247	618,283	431,628
Total liabilities	Before distribution	837,957	1,109,083	1,311,529	1,295,382	1,400,324	1,391,435
	After distribution	897,002	1,168,128	1,385,336	1,376,125	Note 2	Note 2
Equity attributable to shareholders of the parent company		1,319,531	1,358,293	1,529,916	1,935,855	2,024,785	2,043,490
Capital stock		592,338	620,455	620,455	738,069	811,876	811,876
Capital surplus		463,051	463,051	463,051	440,667	440,667	440,667
Retaining earnings	Before distribution	370,662	399,259	577,321	774,166	801,636	845,560
	After distribution	342,545	340,214	518,276	700,359	720,893	Note 2
Other equity interest		12,024	(5,928)	(12,367)	(17,047)	(29,394)	(31,073)
Treasury stock		(118,544)	(118,544)	(118,544)	-	-	(23,540)
Non-controlling interest		-	123	(180)	-	-	-
Total equity	Before distribution	1,319,531	1,358,416	1,529,736	1,935,855	2,024,785	2,045,490
	After distribution	1,291,414	1,299,371	1,470,691	1,862,048	1,944,042	Note 2

Note 1: The financial data of 2015, 2016, 2017, 2018 and 2019 has been audited by the CPA, and the financial data as of March 31, 2020 has been audited by the CPA.

Note 2: The distribution of surplus for the 2019 fiscal year was resolved on Board of Directors meeting on April 28, 2020, that cash dividend of NT\$1.0 per share will be distributed. The proposal will be reported to Shareholders' Meeting on June 8, 2020.

(2) Condensed balance sheet – individual

Unit: NT\$ in thousand

Item \ Year		Financial Data for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		963,499	924,949	1,145,130	1,629,699	1,394,779
Real estate, plant and equipment		641,818	872,944	814,135	848,825	1,105,943
Intangible assets		53,016	51,132	42,907	101,446	120,143
Other assets		603,088	302,306	410,340	489,093	513,305
Total assets		2,261,421	2,151,331	2,412,512	3,069,063	3,134,170
Current liabilities	Before distribution	420,124	363,561	525,300	645,417	557,094
	After distribution	448,241	422,606	584,345	719,224	637,837
Non-current liabilities		521,766	429,477	357,296	487,791	552,291
Total liabilities	Before distribution	941,890	793,038	882,596	1,133,208	1,109,385
	After distribution	970,007	852,083	941,641	1,207,015	1,190,128
Equity attributable to shareholders of the parent company		1,319,531	1,358,293	1,529,916	1,935,855	2,024,785
Capital stock		592,338	620,455	620,455	738,069	811,876
Capital surplus		463,051	463,051	463,051	440,667	440,667
Retaining earnings	Before distribution	370,662	399,259	577,321	774,166	801,636
	After distribution	342,545	340,214	518,276	700,359	720,893
Other equity interest		12,024	(5,928)	(12,367)	(17,047)	(29,394)
Treasury stock		(118,544)	(118,544)	(118,544)	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,319,531	1,358,293	1,529,916	1,935,855	2,024,785
	After distribution	1,291,414	1,299,248	1,470,871	1,862,048	1,944,042

Note 1: The financial data of 2015, 2016, 2017, 2018 and 2019 has been audited by the CPA.

Note 2: The distribution of surplus for the 2019 fiscal year was resolved on Board of Directors meeting on April 28, 2020, that cash dividend of NT\$1.0 per share will be distributed. The proposal will be reported to Shareholders' Meeting on June 8th, 2020.

2. Consolidated Condensed Statement of Comprehensive Income

(1) Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ in thousand

Item \ Fiscal Year	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenue	1,021,983	982,536	1,488,259	2,078,901	1,300,351	290,490
Gross profit	306,404	354,717	622,967	988,326	581,662	130,469
Income from operations	96,156	124,333	332,517	604,894	241,539	51,168
Non-operating income and expense	(14,741)	(18,925)	(32,393)	4,943	(19,312)	1,941
Income before tax	81,415	105,408	300,124	609,837	222,227	53,109
Net income of this term from continuous operation	70,782	85,534	237,872	471,252	174,644	43,924
Loss from discontinued operations	-	-	-	-	-	-
Net income (Loss)	70,782	85,534	237,872	471,252	174,644	43,924
Other comprehensive income (income after tax)	(6,296)	(18,714)	(7,507)	(6,088)	(11,907)	(1,679)
Total comprehensive income	64,486	66,820	230,365	465,164	162,737	42,245
Net income attributable to shareholders of the parent company	70,782	85,583	238,171	472,717	174,644	43,924
Net income attributable to non-controlling interest	-	(49)	(299)	(1,465)	-	--
Comprehensive profit/loss attributable to Shareholders of the parent company	64,486	66,879	230,668	466,615	162,737	43,924
Comprehensive profit/loss attributable to non-controlling interest	-	(59)	(303)	(1,451)	-	-
Earnings per share	1.26	1.45	4.03	6.40	2.15	0.54

Note 1: The financial data of 2015, 2016, 2017, 2018 and 2019 has been audited by the CPA, and the financial data as of March 31, 2020 has been audited by the CPA.

(2) Consolidated Condensed Statement of Income – individual

Unit: NT\$ in thousand

Item	Financial Data for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	826,513	784,654	1,198,518	1,836,489	1,040,726
Gross profit	213,766	242,807	418,680	734,194	400,369
Income from operations	89,536	107,916	239,034	494,087	214,952
Non-operating income and expense	(12,615)	(8,108)	39,456	93,373	(4,593)
Income before tax	76,921	99,808	278,490	587,460	210,359
Net income of this term from continuous operation	70,782	85,583	238,171	472,717	174,644
Loss from discontinued operations	-	-	-	-	-
Net income (Loss)	70,782	85,583	238,171	472,717	174,644
Other comprehensive income (income after tax)	(6,296)	(18,704)	(7,503)	(6,102)	(11,907)
Total comprehensive income	64,486	66,879	230,668	466,615	162,737
Net income attributable to shareholders of the parent company	70,782	85,583	238,171	472,717	174,644
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive profit/loss attributable to shareholders of the parent company	64,486	66,879	230,668	466,615	162,737
Comprehensive profit/loss attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.26	1.45	4.03	6.40	2.15

Note 1: The financial data of 2015, 2016, 2017, 2018 and 2019 has been audited by the CPA.

(II) Condensed Balance Sheet and Consolidated Statement of Income – based on SFAS : Not applicable.

(III) CPA's Names and Audit Opinions for the Last Five Years:

1. CPA's names and audit opinions for the last five years are listed as bellow:

Year	Accounting Firm	CPA	Audit Opinion
2014	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2015	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2016	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2017	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified
2018	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified
2019	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified

2. Explanation to the reason of accountant change in recent five years:

(1)The financial statement of the Company was originally appointed PwC TW Accountant LIN TZU-YU and LIU TZU-MENG for check and audit; in order to cooperate with the internal adjustment of PwC TW, it has changed to appoint PwC TW Accountant LIN YUNG-CHIH and LIN TZU-YU for check and audit since 2017.

II. Five-year financial analysis

(I) Financial Analysis – Based on IFRS

Analysis Item		Fiscal Year	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2020 (Note 2、Note 3)
			2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio		42.03	38.15	42.03	40.39	39.02	40.66
	Ratio of long-term capital to real estate, plant and equipment		276.70	196.89	197.66	238.82	207.74	175.03
Solvency %	Current ratio		267.74	272.56	222.93	258.08	248.73	175.26
	Quick ratio		182.40	196.42	163.17	166.99	150.40	103.72
	Interest earned ratio (times)		5.45	9.10	26.07	37.91	1585.19	11.87
Operating performance	Accounts receivable turnover (times)		2.82	2.67	3.69	4.44	3.05	3.28
	Average collection days		129	137	99	82	120	111
	Inventory turnover (times)		1.47	1.51	2.10	1.86	1.01	0.92
	Accounts payable turnover (times)		10.69	6.98	5.48	5.06	4.47	5.68
	Average days in sales		248	242	174	196	361	397
	Real estate, plant and equipment turnover (times)		1.43	1.27	1.57	2.04	1.12	0.84
	Total assets turnover (times)		0.43	0.44	0.62	0.71	0.40	0.36
Profitability	Return on total assets (%)		3.60	4.29	10.25	16.49	5.66	5.64
	Return on equity (%)		5.43	6.39	16.47	27.28	8.82	8.64
	Pre-tax income to paid-in capital (%) (Note 8)		13.74	16.99	48.37	82.63	27.37	6.54
	Net profit ratio (%)		6.93	8.71	15.98	22.74	13.43	15.12
	Earnings per share (NT\$)		1.26	1.45	4.03	6.40	2.15	0.54
Cash flow	Cash flow ratio (%)		67.90	72.35	61.28	41.56	24.30	37.04
	Cash flow adequacy ratio (%)		42.86	96.16	299.00	199.40	139.49	106.53
	Cash reinvestment ratio (%)		10.70	11.11	11.99	7.54	2.43	0.25
Leverage	Operating leverage		2.54	2.11	1.37	1.17	1.43	1.49
	Financial leverage		1.23	1.12	1.04	1.03	1.06	1.11
<p>Please explain reasons for changes in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)</p> <ol style="list-style-type: none"> 1. Accounts receivable turnover, stock turnover, real estate, plant and equipment turnover, and total asset turnover were decreased, while average collection days, average days in sales was increased due to the trade war between the US and China, making obvious drop in revenues and profits result in the consequences. 2. Return on assets, return on stockholders' equity, pre-tax income to paid-in capital, net profit ratio, earnings per share and cash flow ratio were decreased due to the decrease of sales amount and volumes, decreasing capacity utilization ratio, which resulted in decrease of profits. As for the increase of interest 								

coverage ratio, it is because phase 2 construction of Tree Valley is actively under execution, which capitalizes the interest in 2019.

3. The increase of operation leverage resulted from the increase of fixed cost ratio, which was due to the decrease of revenues as well as capacity utilization.
4. The decrease of cash reinvestment ratio resulted from the increases of real estate, plants and equipment, which was due to the phase 2 construction of Tree Valley.

1. Consolidated Financial Analysis

Note 1 : The financial data of 2015, 2016, 2017, 2018 and 2019 had been audited by the CPA.

Note 2 : The financial data as of March 31, 2020 had been audited by the CPA.

Note 3: Relevant operation capacity and profitability related financial ratio is calculated by the annual figure.

Note 4: Calculation formulas are as below:

1. Financial structure

(1) Ratio of liability to asset = total liability / total asset.

(2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non-current liability) / net amount of real estate, plant and equipment.

2. Solvency

(1) Current ratio = current asset / current liability.

(2) Quick ratio = (current asset – inventory – prepaid expense) / current liability.

(3) Interest earned ratio = net profit before income tax and interest expense / current interest expense.

3. Operating performance

(1) Accounts payable (including accounts receivable and notes receivable caused by business) turnover ratio = net sales / average accounts receivable ((including accounts receivable and notes receivable caused by business) balance).

(2) Average collection days = 365 / accounts payable turnover ratio.

(3) Inventory turnover ratio = sales cost / average inventory.

(4) Accounts payable (including accounts payable and notes payable caused by business) turnover ratio = sales cost / balance of average accounts payable (including accounts payable and notes payable caused by business).

(5) Average days in sale = 365 / inventory turnover ratio.

(6) Real estate, plant and equipment turnover ratio = net sales / net amount of average real estate, plant and equipment.

(7) Total assets turnover ratio = net sales / average total assets.

4. Profitability

(1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets.

(2) Return on equity = after-tax profit and loss / average total equity.

(3) Net profit ratio = after-tax profit and loss / net sales.

(4) Earnings per share = (equity attributable to shareholders of parent company – preference dividend) / weighted average issued share number. (Note 5)

5. Cash flow

(1) Cash flow ratio = net cash flow of operating activity / current liability.

(2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend).

(3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (gross amount of real estate, plant and equipment + long-term investment + other non-current asset + working capital). (Note 6)

6. Leverage:

(1) Operating leverage = (net operating revenue – changed operating costs and expense) / operating profit. (Note 7)

(2) Financial leverage = operating profit / (operating profit – interest expense).

Note 5: Calculation formula of above earnings per share shall pay attention to following items when measuring:

1. Subject to weighted average common share number, not based on issued share numbers in the end of the year.
2. If there is increment of cash or treasury stock transaction, it shall consider the circulation period, and calculate the weighted average share number.
3. If there is surplus transferred to increment or capital reserve transferred to investment, when calculating the earnings per share of the previous year and half year, it shall trace and adjust according to increment proportion, without any consideration of issuing period of the increment.
4. If the special stock is the inconvertible accumulative special stock, its dividend of that year (no matter

issued or not) shall be deducted from the profit (loss) for the year, or increase the after-tax net loss. If the special stock is non-cumulative type, when there is after-tax dispute, the special stock dividend shall be deducted from the profit (loss) for the year; if it is loss, it shall not be adjusted.

Note 6: Cash flow analysis shall pay special attention to the following items when measuring:

1. Net cash flow of operating activity refers to net cash inflow of operating activity in cash flow statement.
2. Capital expenditure refers to the cash outflow of annual capital investment.
3. Inventory increment shall only be accounted when the ending balance is greater than beginning balance, and if the inventory decreases in the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividend of common stock and special stock.
5. Real estate, plant and equipment gross refer to the sum of real estate, plant and equipment before deducting the accumulated depreciation.

Note 7: Issuer shall divide the operating costs and operating expenses into the fixed and changeable one; if estimation or subjective judgment is involved, it shall pay attention to the rationality and maintain the consistency.

Note 8: If the company share has no denomination or the denomination per share is not NT\$ \$ 10, the above ratio calculation related to paid-in capital shall be changed to calculate the ratio of equity attributable to shareholders of parent company of balance sheet.

(2) Financial Analysis – individual

Analysis Item		Financial Data for The Last Five Years					Financial Data as of March 31, 2020
		Fiscal Year	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	41.65	36.86	36.58	36.92	35.40	
	Ratio of long-term capital to real estate, plant and equipment	286.89	204.80	231.81	285.53	233.02	
Solvency %	Current ratio	229.34	254.41	218.00	252.50	250.37	
	Quick ratio	178.05	195.49	160.62	165.47	154.69	
	Interest earned ratio (times)	5.36	9.34	31.80	63.18	2183.98	
Operating performance	Accounts receivable turnover (times)	2.63	2.43	3.01	3.67	2.10	
	Average collection days	139	150	121	99	174	
	Inventory turnover (times)	2.70	2.53	2.93	2.42	1.20	
	Accounts payable turnover (times)	9.07	6.18	5.01	4.95	4.10	Not applicable
	Average days in sales	135	144	125	151	304	
	Real estate, plant and equipment turnover (times)	1.19	1.04	1.42	2.21	1.06	
	Total assets turnover (times)	0.35	0.36	0.53	0.67	0.34	
Profitability	Return on total assets (%)	3.60	4.32	10.77	17.52	5.87	
	Return on stockholders' equity (%)	5.43	6.39	16.49	27.28	8.82	
	Pre-tax income to paid-in capital (%)	12.99	16.09	44.88	79.59	26.48	

	(Note 8)						
	Net profit ratio (%)	8.56	10.91	19.87	25.74	16.78	
	Earnings per share (NT\$ in dollars)	1.20	1.45	4.03	6.40	2.15	
Cash flow	Cash flow ratio (%)	62.71	57.13	43.76	45.85	34.35	
	Cash flow adequacy ratio (%)	81.13	132.50	263.77	224.76	138.01	
	Cash reinvestment ratio (%)	9.17	6.84	6.13	7.91	3.25	
Leverage	Operating leverage	2.53	1.99	1.41	1.26	1.32	
	Financial leverage	1.24	1.12	1.04	1.02	1.04	

Please explain reasons for changes in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)

1. Accounts receivable turnover, stock turnover, real estate, plant and equipment turnover, and total asset turnover were decreased, while average collection days, average days in sales was increased due to the trade war between the US and China, making obvious drop in revenues and profits result in the consequences.
2. Return on assets, return on stockholders' equity, pre-tax income to paid-in capital, net profit ratio, earnings per share and cash flow ratio were decreased due to the decrease of sales amount and volumes, decreasing capacity utilization ratio, which resulted in decrease of profits. As for the increase of interest coverage ratio, it is because phase 2 construction of Tree Valley is actively under execution, which capitalizes the interest in 2019.
3. The increase of operation leverage resulted from the increase of fixed cost ratio, which was due to the decrease of revenues as well as capacity utilization.
4. The decrease of cash reinvestment ratio resulted from the increases of real estate, plants and equipment, which was due to the phase 2 construction of Tree Valley.

Note 1: The financial date of 2015, 2016, 2017, 2018 and 2019 had been audited by the CPA.

Note 2: The formula is as follows:

1. Financial structure

(1)The proportion of liabilities covered by assets = total liabilities/total assets.

(2)The proportion of long-term funds covered by fixed assets = (Shareholder's net equity + long-term liability)/net value of fixed assets.

2. Debt-paying ability

(1)Current ratio = current assets/current liability.

(2)Quick ratio = (current assets–inventory - prepaid expenses)/current liability.

(3)Time interest earned ratio = income tax and net profit before interest expense/current interest expense.

3. Business capacity

(1)Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.

(2)Average collection days = 365/receivables turnover.

(3)Inventory turnover = Cost of goods sold/average inventory.

(4)Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.

(5)Average sales days = 365/inventory turnover.

(6)Fixed asset turnover = net sales/average net value of fixed assets.

(7)Total assets turnover = net sales/average total assets.

4. Profitability

(1)Return on assets = (post-tax profit or loss + interest expense× (1–tax rate) /average total assets.

(2)Shareholder's return on equity = post-tax profit or loss /average shareholder's net equity.

(3)Net profit ratio = post-tax profit or loss /net sales.

(4)Earnings per share = (net profit after tax - preference dividend) /weighted average issued shares.

5. Cash flow

(1) Cash flow ratio = operating activities net cash flow/current liability.

Net cash flow adequacy ratio = Net cash flow from operating activities for the Past Five Years /for the Past Five

(2) Years (capital expenditure + inventory increases + cash dividends).

(3) Cash re-investment ratio = (operating activities net cash flow - cash dividends)/(fixed asset's gross amount + long-term investment + other assets + working capital).

6. Lever degree:

(1) Degree of operating leverage = (net revenue - business change costs and expenses)/ sales revenue.

(2) Degree of financial leverage = sales revenue / (sales revenue - interest expenses).

Note 3: For the calculation formula of the above earnings per share, the following matters shall be paid attention to:

1. Be subject to the weighted average of common stock shares rather than by then end of the year.
2. The one goes through a cash capital increase or treasury stock trading shall consider calculating the weighted average outstanding shares during the circulation period.
3. The one goes through surplus capital increase or turn add equity capital accumulation fund shall carry out retroactive adjustment based on capital increase ratio when calculating the earnings per share of previous years and semiannual.
4. If the preferred stock is the non-convertible cumulative stock, the current annual dividend (whether issued or not) shall be deducted from post-tax profit or added to post-tax loss. If the preferred stock is not cumulative, it shall be deducted from the post-tax profit; and it needs no adjustment if it losses.

Note 4: Pay attention to the following matters when measuring cash flow analysis:

1. Operating activities net cash flow refers to the net cash inflows of operating activities in the Cash Flow Table.
2. Capital expenditure refers to capital investment cash outflows each year.
3. Inventory increases is only included when ending balance is larger than beginning balance. If the inventory at the end of year is decreased, then it will be calculated as zero.
4. Cash dividends include common stock and preferred stock's cash dividends.
5. Fix asset's gross amount refers to the total fixed assets before deducting accumulated depression.

Note 5: The issuer shall divide operating costs and operating expenses as fixed or changed depending on the nature. If estimation or subjective judgment is involved, it shall pay attention to its rationality and maintain consistency.

III. Auditing report for recent annual financial statement prepared by supervisor

CHIEFTEK PRECISION CO., LTD.

Supervisor's Auditing Report

Hereby to approve,

The Board of Directors prepares the Financial Statement, Operating Report, and Earnings Distribution Plan for the year of 2019. The undersigned PwC TW CPA LIN YUNG-CHIH and LIN TZU-YU have duly audited the 2019 Financial Statement, and issued recorded unqualified opinion auditing report. All statistical forms shall be complied in accordance with the law after being reviewing by the supervisors. Any discrepancies shall be reported to the superior in accordance with Article 219 of the Company Act.

With respect,

CHIEFTEK PRECISION CO., LTD. 2020 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

March 11, 2020

CHIEFTEK PRECISION CO., LTD.

Supervisor's Auditing Report

Hereby to approve,

The Board of Directors prepares the earning distribution table for the year of 2019. The above statement are reviewed by the supervisors. Any discrepancies shall be reported to the superior in accordance with Article 219 of the Company Act.

With respect

CHIEFTEK PRECISION CO., LTD. 2020 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

April 28th, 2020

IV. Recent annual financial statement: Please refer to Appendix 1.

V. The most recent annual financial statement to corporate entity audited and certified by accountant: Please refer to Appendix 2.

V. If any financial difficulties happen to the company and its affiliate enterprises by the deadline of annual report printing, then its impact on the company's financial condition is: None.

VII. REVIEW OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE, AND RISK MANAGEMENT

I. Review and Analysis of Financial Condition

(I) Comparative analysis table of financial condition

Unit: NT\$ in thousand

Account subject	Year	2019	2018	Increased (decreased)	
		Amount	Amount	Amount	%
Current assets		1,684,170	1,998,305	(314,135)	(15.72%)
Real estate, plant and equipment		1,290,959	1,035,570	255,389	24.66%
Intangible assets		120,990	124,977	(3,987)	(3.19%)
Other assets		224,048	88,532	135,516	153.07%
Total assets		3,320,167	3,247,384	72,783	2.24%
Current liabilities		677,099	774,282	(97,183)	(12.55%)
Non-current liabilities		618,283	537,247	81,036	15.08%
Total liabilities		1,295,382	1,311,529	(16,147)	(1.23%)
Equity attributable to owners of the parent		2,024,785	1,935,855	88,930	4.59%
Capital stock		811,876	738,069	73,807	10.00%
Capital reserves		440,667	440,667	0	0.00%
Retained earnings		801,636	774,166	27,470	3.55%
Other equity interest		(29,394)	(17,047)	(12,347)	(72.43%)
Treasury stock		0	0	0	0.00%
Non-controlling interests		0	0	0	0.00%
Total equity		2,024,785	1,935,855	88,930	4.59%
<p>Explain reasons for changes (Changes over 20% and the amount of change reach NT\$10 million or more):</p> <ol style="list-style-type: none"> 1. The increase of real estate, plants and equipment resulted in the increase of pre-payment of equipment, which was due to continuous procurement and installation of machines and equipment of plant in Southern Tainan Science Park and phase 1 of Tree Valley. 2. The increase of other assets resulted in recognition of right-of-use asset starting from January 1st, 2019, which was due to "Lease" in IFRS 16. 3. The decrease of other equity was mainly due to the exchange loss of exchange rate adjustment of the use of equity method for evaluating reinvestment of subsidiary resulted from the appreciation of NTD. 					

II. Analysis of financial performance

(I) Comparative analysis table of financial performance:

Unit: NT\$ in thousand

Account subject \ Year	2019	2018	Increased (decreased)	
	Amount	Amount	Amount	%
Sales revenue	1,300,351	2,078,901	(778,550)	(37.45%)
Operating margin	581,662	988,326	(406,664)	(41.15%)
Operation profit and loss	241,539	604,894	(363,355)	(60.07%)
Non-operating income and expense	(19,312)	4,943	(24,255)	(490.69%)
Net profit before tax	222,227	609,837	(387,610)	(63.56%)
Net profit of the term to continuous operation unit	174,644	471,252	(296,608)	(62.94%)
Loss of discontinued operation	0	0	0	0.00%
Net profit (loss) of the term	174,644	471,252	(296,608)	(62.94%)
Other comprehensive (loss) Income (net profit after tax)	(11,907)	(6,088)	(5,819)	(95.58%)
Total comprehensive income (loss)	162,737	465,164	(302,427)	(65.02%)
Net profit attributable to the owner of parent company	174,644	472,717	(298,073)	(63.06%)
Non-controlling interest's net profit	0	(1,465)	1,465	100.00%
Parent company owner's consolidated profit	162,737	466,615	(303,878)	(65.12%)
Comprehensive profit attributable to the owner of parent company	0	(1,451)	1,451	100.00%
Earnings per share (NT\$)	2.15	6.40	(4.25)	(66.41%)
Explain reasons for changes(Changes over 20% and the amount of change reach NT\$10 million or more):				
<p>1. Sales revenue, operating margin, operation profit and loss, net profit before tax, net profit of the term to continuous operation unit, net profit (loss) of the term, total comprehensive income (loss), net profit attributable to the owner of parent company and earnings per share are decreased, mainly due to:</p> <p>(1) The influence by trade war between the US and China and poor prosperity, which decreased orders from customers and huge amounts of revenues.</p> <p>(2) The decrease of operating expenditure, which resulted from poor prosperity and low revenues. The export-related cost was also decreased with Company's saving policy. Unnecessary non-production cost was reduced.</p> <p>2. Non-operating revenues and net expenses were affected by exchange rate changes of NTD. In 2018, 21,498,000 of exchange benefit was generated while in 2019, 17,511,000 of exchange loss was generated due to the appreciation of NTD.</p>				

(II) The expected sales volume and its basis, the possible impact on the company's future financial business and the corresponding plan:

Due to the epidemic situation and Industry 4.0 driving automation and intellectual equipment, the demand for linear guide is increasing and should allow the Company to scale its business scale to a new level; in terms of financial status, the Company has signed a 7-year joint credit granting contract with eleven banks including Mega International Commercial Bank, which can be used for the best backing for the phase 2 construction of plants in Tree Valley, procurement of machines and equipment and operation capital. Under circumstance of poor prosperity, we still have eleven banks that are willing to oversubscribe and sign a long-term financing contract, meaning these banks have great confidence on operation management and future development of CHIEFTEK PRECISION. We also would like to take this opportunity to retrieve long-term and stable sources of capital to deal with paid-in capital and demands on operation capital, which allows the Company to focus on pursuing revenues and high profits to feedback the public.

III. Cash flow

(I) Liquidity Analysis for the Current Year:

Unit: NT\$ in thousand

Account subject	Year	2019	2018	Increased (decreased)	
		Amount	Amount	Amount	%
Operating activities inflows (outflows)		164,536	321,768	(157,232)	(48.87%)
Investment activities inflows(outflows)		(320,143)	(164,507)	(155,636)	(94.61%)
Financial activities inflows (outflows)		50,488	(6,987)	57,475	822.60%
Effect of exchange rate		(14,147)	(4,698)	(9,449)	(201.13%)
Net cash inflows (outflows)		(119,266)	145,576	(264,842)	(181.93%)
<p>1. Decrease in net cash inflow from operating activities: Due to the influenced by the trade war between the US and China, the revenues were decreased as well as accounts receivable; the purchase was decreased as well as accounts payable with obvious drop in profits.</p> <p>2. Net cash outflows is decreased: It is because the continuous procurement and installation of machines and equipment of plant in Southern Taiwan Science Park and Phase 1 of Tree Valley resulted in increase of pre-payment. In addition, phase 2 construction of Tree Valley is under execution which results in increase of unfinished construction.</p> <p>3. Net cash outflow from financing activities increased was mainly due to the continuous construction of "Tree Valley Plant," resulting in increase of borrowings for construction payment.</p>					

(II) Remedy for Cash Flow analysis for coming year:

Unit: NT\$ in thousand

Cash Surplus in the beginning (1)	Estimated Cash Flow from Operating Activities for the Year (2)	Estimated Cash outflow for the Year (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
678,134	120,000	600,000	198,134	-	-

Analysis of cash flow change for the coming year:

1. Operating activities: Due to influence of the trade war between the US and China, 2019's revenues have greatly decreased. In early 2020, because of the influence of COVID-19 and payment of business income tax and remuneration of employees, etc., it is estimated that there will be less net cashflow on operating activities.
2. Investment activities: It is expected that the "New construction of factory building on Tree Valley Park" will continue in 2020, resulting in a net cash outflow from investment activities expected to exceed NT\$ 600,000 thousand.
3. Financial activities: It is estimated that the "Project of New Plant Construction in Tree Valley Park" will proceed in 2020, which will increase the long-term loan. However, the profits might be increased accordingly, which can be used to repay some amortization of long-term loan and short-term loan, which causes the net cash outflow in financial activities.

(III) Improvement plan for illiquidity:

It is expected that the "Phase 2 construction of factory building on Tree Valley Park" will continue in 2020, and the funding source is scheduled to be funded by owned fund, bank financing (or syndicated loan) or other fund-raising method. At present, it was approved by the board of directors on January 17th, 2020, and signed a 7-year joint credit with a total credit line of NT\$2.9 billion granted by 11 banks including Mega International Commercial Bank and other banks on February 19th, 2020, it should be enough to provide the funds required for the phase 2 construction of factory building on Tree Valley Park and its affiliate facilities and operating capital required for the company's operations.

IV. Impact of major capital expenditure items on financial business

(I) Reason for plant construction and benefits

Plant area	Products manufactured	Annual capacity	Remark
New construction of factory building on Tree Valley Park	Linear Guide	Expand the business scale and increase the operating revenue.	

1. Main reason for plant construction:

- (1) In order to deal with requirements of the market and sales and needs of the Company's operation development in the future, the Company has planned to construct phase 2 factory and purchase related machines and equipment at Tree Valley Park. The Company and subsidiary CSM Maschinen GmbH have jointly developed and manufactured the transmission device technology (Transmission component, such as Motor Spindles, Harmonic drive, etc.), as well as manufactured the prototype of the Turnkey mass production machine derived from the application technology, in order to cope with the production.
- (2) Has improved the capacity of linear guide and linear motor (module).

(3) Based on the needs of the Company's future operations, has planned to build the new plants (Phase I and Phase II) on the land of Tree Valley Park, in order to meet the Company's operational needs.

2. Benefits: Expand the business s scale and increase the operating revenue and profit.

(II) The impact on the Company's financial business

The Company's debt ratio on December 31, 2018 is 40.39%, decreased 1.64% compared to 42.03% on December 31, 2017. This indicates that the Company's operating performance is excellent, which finance using is extremely conservative and stable.

V. Main causes for profits of losses, improvement plans and investment plans for the coming year

(I) The Company's reinvestment policy shall focus on business-related field with an expectation to improve its overall operating performance. Relevant executive departments shall implement in accordance with internal control system "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets"; stipulate "Subsidiary Management Approach" for internal control system to facilitate motoring each subsidiary to stipulate relevant operating procedure on major financial and business matters and establish subsidiary operating risk management system in accordance with laws to maximize the performance.

(II) Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Unit: NT\$ in thousand

Item	Description	Profit or loss amount of 2019	Main reason of profit or loss	Improvement plans	Investment plans for the coming year
CHIEFTEK PRECISION HOLDING CO., LTD.	CO.,	19,619	Recognized as profit and loss on investments of CHIEFTEK PRECISION (HONG KONG) CO., LTD.	-	None
cpc Europa GmbH		4,029	Mainly due to growth of revenue.	-	Depending on the operating conditions
CSM Maschinen GmbH		(8,681)	Mainly the expenses generated due to operation.	In the stage of product development	None
Chieftek Precision International LLC		173	Mainly due to the rental income of leased real estate is greater than the daily operating expenses.	-	None
CHIEFTEK PRECISION (HONG KONG) CO., LTD.		13,325	Recognized as profit and loss on investments of Chieftek Machinery Kunshan Co., Ltd.	-	None

CHIEFTEK PRECISION USA CO., LTD.	5,704	It's still profitable with less revenues though.	-	None
Chieftek Machinery Kunshan Co., Ltd.	13,314	It's still profitable with less revenues though.	-	None

VI. Analysis of risk management

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Interest Rates:

The Company's 2019 and 2018 annual interest payment is NT\$14,901 thousand and NT\$16,521 thousand respectively, accounting for 1.15% and 0.79% of Net Operating Revenue respectively.

(1) The interest expense in fiscal year 2019 decreased by NT\$ 1,621 thousand compared with fiscal year 2018, but as the turnover in fiscal year 2019 decreased compared with fiscal year 2018, the ratio of interest expense to net revenue increased by 0.36%.

(2) In addition to the above reasons, the Company's profit in the past two years has been stable and growing, as well as the Company regularly evaluates bank borrowing rates and maintains close contact with banks to obtain preferential interest rates and reduce interest expenses, so the interest rate changes will not have a significant impact on the company.

2. Exchange Rates:

The Company's export revenue is mainly in US dollars, Euros, and Yen, while the foreign currency is mainly in Euros and Yen. Therefore, part of assets and liabilities have natural hedging effects. However, in response to the risk of exchange rate changes, the Company has actively collected exchange rate changes to grasp and research the trend of exchange rate, as well as take appropriate hedging measures to reduce the impact of exchange rate risk.

The Company's 2019 net loss on currency exchange is NT\$17,511 thousand and 2018 net loss on currency exchange is NT\$21,498 thousand, accounting for (1.35%) and (1.03%) of net operating revenue respectively, mainly due to the revenue in 2019 has decreased significantly and also the appreciation of NTD, comparing to 2018, so the exchange loss has also increased. However, as the proportion of the exchange gains and losses accounting for revenue is not high, the whole exchange rate has not been a major risk burden on profitability.

3. Inflation:

In terms of the profitability of 2019 and 2018, there has no significant impact on the Company's operations and profitability due to the high inflation. However, the Company will continue to pay close attention to the fluctuations in the economic environment and the market price, in order to avoid the degree of negative effects of inflation and deflation.

(II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; Major reasons and future contingency plan for the profits/losses generated thereby:

The Company is dedicated to the operation of major business, and its financial policies are based on the conservative principle. The Company did not engage in any high-risk or high-leveraged investments. As for lending funds to others, endorsement and guarantee, and the transaction of derivative products, in addition to cautious evaluation, regular reporting and monthly control, the operation of the Company all comply with the "Procedures for Lending Funds to Others", "Procedures for Endorsement and Guarantee",

“Procedures for Financial Derivatives Transactions” and “Procedures for Acquisition or Disposal of Assets” passed by the Board of Directors.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The company adheres to the concept of continuous research and development, long-term training of R&D personnel to carry out project research and new technology research and development, and thereby enhance the company's competitiveness. The investment in R&D in 2019 was NT\$72,112 thousand, a decrease of NT\$15,063 thousand compared with NT\$ 87,175 thousand in 2018, a reduction rate of 17.28%. With the development trend of Industry 4.0 and completion of Phase 1 and 2 new plant construction in Tree Valley Park, we will continue to develop automated basic precision machinery parts, and the estimated investment in research and development in 2020 will be raised to approximately NT\$ 90 million the above.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

With the signing of the first phase of the trade agreement between the United States and China in mid of January, 2020 and the pneumonia epidemic (COVID-19) has spread rapidly, general and strict personnel and transportation control measures have brought serious impacts on the normal operation of the industry and increased the operational Certainty. The Company will continue to pay close attention to the subsequent evolution of the event and changes in the economic environment and market environment, and the units of finance, accounting, auditing and chairman's office will provide assessments, suggestions and corresponding measures to coordinate with the adjustment of the company's internal systems or operating activities in order to comply with the provisions of the law and avoid major adverse effects.

- (V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The continuous innovation of technologies such as Industry 4.0 and industrial automation has expanded the application areas of the Company's products, which is a positive benefit to the Company. Therefore, with the existing technical ability and advanced competition basis, along with development strategy of innovation and breakthrough will help the Company continue to invest in research and development capabilities, combined with the long-term development trend of technology and industry, in order to enhance the quality of products to achieve sustainable development and growth of the Company.

There is no obvious manufacturing or related technology change in the industry or market to which the Company belongs. Therefore, there is no significant effect on the financial or business of the Company.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

1. In terms of the corporate image, the Company highly values integrity and never pursues illegal profits. With professional R&D team managing in steady, honest and focus way as well as international pattern without breaking regulations by the government, it formulates a refreshing image in the industry. Moreover, with the goals of promoting social economy, improving environmental prosperity and guaranteeing staff welfare, it strictly follows the provisions of laws and regulation stipulated by the competent authority.

2. The Company's corporate image has always been good, and was all the top 20% of companies of the three round of corporate governance evaluation in the recent 3 years. It indicates that the Company's efforts in the field of corporate governance have been

affirmed, and the Company continues to actively sponsor charitable activities such as the Tainan Traditional Chinese Cultural College Foundation and art group's performances has greatly enhanced the company's corporate image. It indicates that there has been no corporate crisis management caused by major changes.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

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

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company cautiously implements the plant expansion plan. Besides strengthening the financial structure through capital increase out of earnings, it also cooperates with bank club to acquire adequate funds. Moreover, the operating team of the Company owns rich industrial experience, understands the industrial demands for products, and can fully make use of the utilization rate of the new plant. The plant expansion of the Company goes through the complete, cautious and professional evaluation process. For any major capital expenditures, it shall report to director's meeting and fully considers the investment returns and possible risks.

To achieve the business goal of sustainable operation, the Company executed "Phase 2 Plant Construction in Tree Valley Park," please refer to "IV. Impact of Major Capital Expenditure Items on Financial Business" in Section VII. Review of Financial Conditions, Financial Performance, and Risk Management.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

1. Purchase

Based on industry's characteristics, quality rate, delivery and market supply and demand, the Company purchases most miniature linear guides and slide cold drawing steel from Company A (Taiwan is the main production base for the Company, so the main stock manufacture of the combined company shall be same with the parent company's). This manufacture is a world leading manufacture in cold drawing piece production, whose product quality is good. The Company has established cooperative relationship with it since the beginning and the long-term relationship is good. In order to maintain the elasticity with the supplier, the Company has not signed a long-term supply contract with Company A. And in order to avoid a shortage of materials and uncontrollable cost risk caused by a single supplier, in addition to maintain a good cooperative relationship with Company A, the Company is also actively seeking a new supplier to reduce the stock concentration. The purchase proportion from Company A has been reduced year by year since 2009 and the situation of stock concentration has been improved. The risk is limited.

2. Sales

Main products of the Company are miniature linear guide, standard linear guide and linear motor. The biggest trade debtor in 2019 is the subsidiary Chieftek Machinery Kunshan Co., Ltd. with 100% shareholding, which is accounting for 23.45% of annual net sales. Main business scope of Chieftek Machinery Kunshan is to sell the products produced by the Company and provide after-sales service for customers in China, so it is not a single customer of over-concentrated sales. As for the merged company, there has no customer that accounting for 10% of annual net sales. The Company will continue to develop new products and customers in the future and it is expected that there will have no circumstances that will affect normal operation due to concentrated sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in

Shareholdings of Directors, Supervisors, or Shareholders with Shareholdings of over 10%:
The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company's directors and supervisors actively participate in the Company's operation and the management class has stronger sense of mission to the Company, regarding company's operation as a tenure career. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

(XII) Litigation or Non-litigation Matters:

1. Until the printing date of Company's recent annual report, major ongoing lawsuits, non-lawsuits or administrative lawsuits, the matters that may have significant impact on shareholder's equity or security price are: None.
2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by the Company's director, supervisor, general manager, the actual head, major shareholder who holds more than 10% of the shares and affiliated company by the date of printing the annual report, with the matters that may have major effect on shareholder's equity or security price: None.

(XIII) Other significant risks and Response Measures: None.

VII. Other important matters: None.

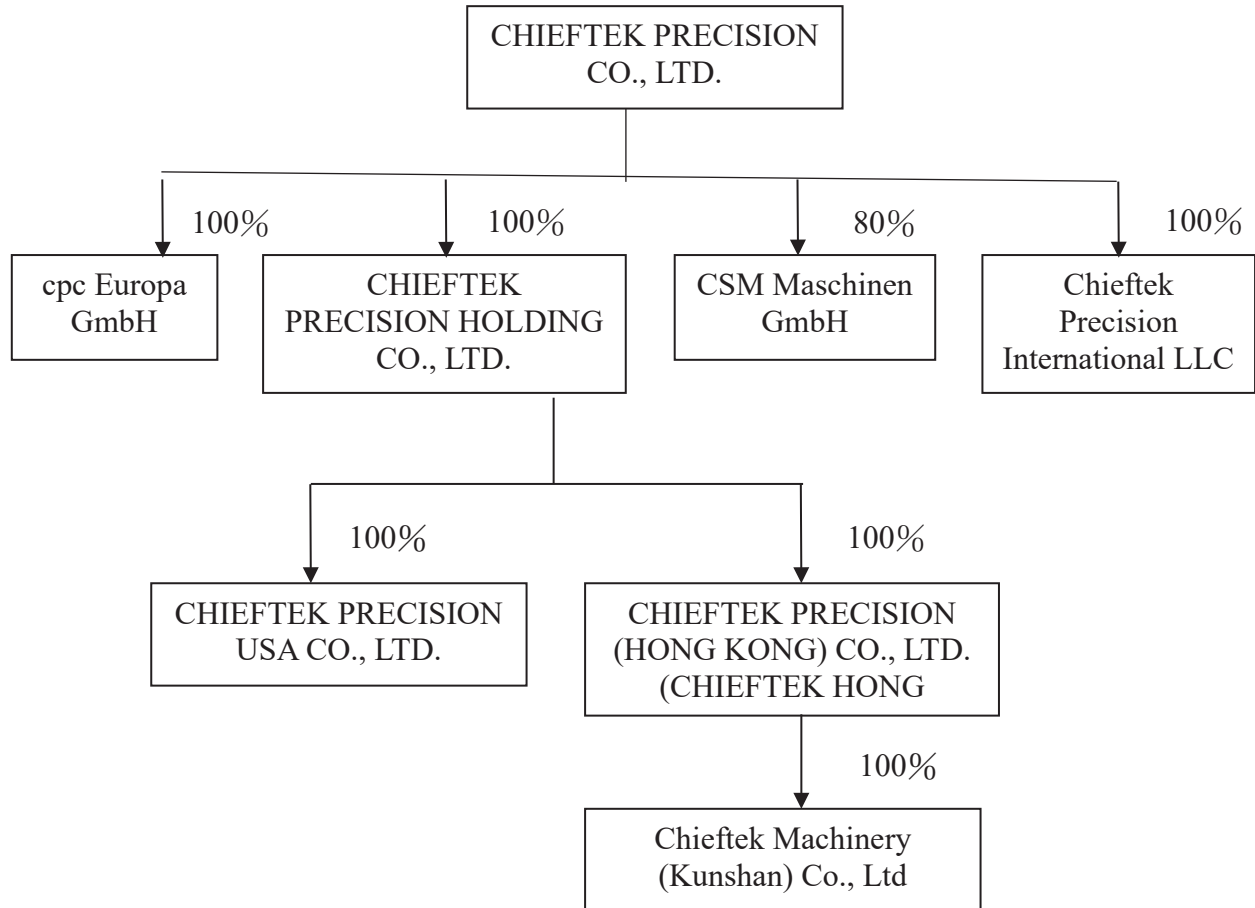
VIII. SPECIAL NOTES

I. Affiliate enterprises' relevant information

(I) Affiliate enterprises consolidated financial statements: please refer to consolidated financial statements.

(II) Affiliate enterprises consolidated operating report

1. Affiliate enterprises organizational table



2. Relationship between affiliate enterprises, shareholding ratio, share and actual investment amount
March 31, 2020; Unit: Share in thousand / NT\$ in thousand

Affiliate enterprises name	The relationship with the Company	The company's share hold by the affiliate enterprises		Affiliate enterprises' share hold by the Company		
		Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Actual investment amount
CHIEFTEK PRECISION HOLDING CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	5,100	100%	USD 5,100
cpc Europa GmbH	The subsidiary CHIEFTEK PRECISION (HONG KONG) CO., LTD. adopts equity method to evaluate invested company	-	-	Note 1	100%	EUR 2,500
CSM Maschinen GmbH	The Company adopts equity method to evaluate invested company	-	-	Note 1	100%	EUR 644
Chieftek Precision International LLC	The Company adopts equity method to evaluate invested company	-	-	Note 3	100%	USD 3,600
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	5,100	100%	USD 5,100
CHIEFTEK PRECISION USA CO., LTD.	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	1,660	100%	USD 1,660
Chieftek Machinery Kunshan Co., Ltd.	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	Note 2	100%	USD 5,100

Note 1 : The Germany Company directly invested by the Company is a limited liability company. No share.

Note 2 : The mainland company indirectly invested by the Company is a limited liability company. No share.

Note 3 : The US Company directly invested by the Company is a limited liability company. No share.

3. Basic documents of affiliate enterprises

March 31, 2020; Unit: US\$/EUR

Enterprise name	Establishment date	Address	Paid-in capital	Main business or production project
CHIEFTEK PRECISION HOLDING CO., LTD.	2007.12.20	Level 2.Lotemau Centre, Vaea Street, Apia, Samoa	USD 5,100,000	Investment holding
cpc Europa GmbH	2010.01.19	Industriepark 314,78244 Gottmadingen Germany	EUR 2,500,000	Marketing positions in Europe and after-sales services
CSM Maschinen GmbH	2016.03.07	Industriepark 314,78244 Gottmadingen Germany	EUR 644,275	R&D, manufacturing and marketing and after-sales service
Chieftek Precision International LLC	2017.07.17	2280 EAST LOCUST COURTONTARIO, CA 91761	USD 3,600,000	Real estate leasing
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	2008.09.26	Huamao Century Square 31 floor, Gloucester Road 178, Hong Kong	USD 5,100,000	Investment holding
CHIEFTEK PRECISION USA CO., LTD.	2008.01.08	2280 EAST LOCUST COURTONTARIO, CA 91761	USD 1,660,000	Marketing positions in US and Canada, and after-sales services
Chieftek Machinery Kunshan Co., Ltd.	2008.12.26	Hongqiao Road 1186, Yushan Town, Kunshan City	USD 5,100,000	Marketing positions in mainland, assembling and after-sales service

4. Same shareholder data of the one that presumed to have control and subordinate relationship: No.

5. The industries covered by the he business operated by the overall affiliate enterprises are related to the business operated by each affiliate enterprise, which shall illustrate the division situation:

The business operated by the Company's affiliate enterprises are the same with the Company's, which are based on "linear motion key components", supporting each other in technology, capacity.

6. Documents of each affiliate enterprise's director, supervisor and general manager:

Unit: share in thousand

Enterprise name	Title	Name or Representative	Holding of shares	
			Shares	Shares
CHIEFTEK PRECISION HOLDING CO., LTD.	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	5,100	100%
cpc Europa GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
CSM Maschinen GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
Chieftek Precision International LLC	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
CHIEFTEK PRECISION USA CO., LTD	Director	CHIEFTEK PRECISION CO., LTD.	1,660	100%

		Representative: CHEN LI-FEN		
CHIEFTEK PRECISION (HONG KONG) CO., LTD	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	5,100	100%
Chieftek Machinery (Kunshan) Co., Ltd	Director Supervisor	CHIEFTEK PRECISION (HONG KONG) CO.,LTD Representative: CHEN LI-FEN Representative: LI PAI-TSANG	Non equity	100%
	Director	Representative: CHEN LI-FEN		

7. Operation situation of each affiliate enterprise

Unit: NT\$ in thousand

Enterprise name	Capital sum	Total assets	Total liabilities	Net value	Revenue	Sales revenue	Current profit and loss (after tax)	Earnings per share (Yuan) (after tax)
CHIEFTEK PRECISION HOLDING CO., LTD.	USD 5,100	246,467	0	246,467	0	0	19,620	3.85
cpc Europa GmbH	EUR 2,500	154,193	135,406	18,787	316,829	1,124	4,030	Non equity
CSM Maschinen GmbH	EUR 649	6,909	6,159	750	19,235	3,507	9,942	Non equity
CHIEFTEK PRECISION (HONG KONG) CO., LTD	USD 5,100	206,143	0	206,143	0	(2,596)	13,738	2.69
CHIEFTEK PRECISION USA CO., LTD	USD 1,660	118,930	78,953	39,977	172,687	8,262	5,881	3.54
Chieftek Machinery Kunshan Co., Ltd.	RMB32,118	364,219	158,090	206,129	289,568	20,760	13,727	Non equity
Chieftek Precision International LLC	USD 2,000	189,833	130,582	59,251	11,033	4,617	173	Non equity

II. By the printing deadline of the latest annual report, the handling situation of private securities is: None.

III. By the printing deadline of the latest annual report, the company's stock held or disposed by subsidiary is: None.

IV. Other necessary supplementary instruction

(1) Commitment issues that the Company applying counter transaction to Securities and Futures Trading Center of ROC and its implementation:

No	Commitment issues	Implementation
1	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall participate in the evaluation of company's management system in two years after OTC listing. The evaluation result shall be reported in the shareholder's meeting; and the stipulation of relevant internal control and internal system shall refer to "Listed and OTC Company Governance Code	The commitment has been eliminated in accordance with Taipei Exchange No. 1030200482 on 2014 June, 23.

	of Practice”.	
2	The Company has committed to not to give up increasing capital to cpc Europa GmbH, CHIEFTEK PRECISION HOLDING CO., LTD. (hereafter referred as CHIEFTEK PRECISION HOLDING) in the future when revising “Acquisition or Disposition of Assets Handler”; CHIEFTEK PRECISION Hong Kong shall not give up increasing capital to the Company or disposing the Company’s equity unless obtaining the approval of Chieftek Machinery Kunshan Co., Ltd Director’s meeting in the future. If the handling method is to be revised in the future, CHIEFTEK PRECISION Hong Kong shall input it in the public information observation station and report to OTC listing for reference.	Has been implemented according to the commitments.
3	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall entrust the accountant or institute designated by OTC listing through the Company to carry out external professional audit in accordance with the audit scope designated by the OTC listing. The audit result shall be submitted to OTC listing and the Company will be responsible for relevant costs.	Has been implemented according to the commitments.
4	As the Company’s profit before tax in the first three quarters of 2012 has significantly decreased compared to the same period last year, the Company and the recommended securities firm will fully consider the performance change when discussing the offering price.	Has been implemented according to the commitments.

The violation of the commitments will result in the applicant company in this case (it is an OTC company when the commitments are violated) subject to “Securities Trading Business Rules” Article 12, Paragraph 1, Item 7 and the center shall report to competent authority to stop its securities OTC trading.

The commitment issues will come into effect after the undertaking is issued. Except it is fulfilled, or the term is expired, or the conditions are terminated, its force will continue to be effective during the period of OTC listing. The promised made by the applicant company will not be affected by the change of applicant company’s name or operating class. When the operating class is changing, the non-eliminated promises shall be listed in the handover matters. For the promises made by the applicant company’s director, supervisor, shareholders or specific person, the applicant company is responsible for the broken promises. They shall promise it will not have any impact due to the change of personal name or personal status. If the change of status is in the promise list, then it is not subject to the limit.

(II) Considering the investment structure and improvement of administration efficiency of the Group, Board of Directors approved to use CHIEFTEK PRECISION HOLDING CO., LTD, to return equity of CHIEFTEK PRECISION USA CO., LTD. by reducing capital and convert the company's investment into the 100%-owned CHIEFTEK PRECISION USA CO., LTD. from the original CHIEFTEK PRECISION HOLDING CO., LTD. to the Company's direct investment.

1. In order to coordinate with group structure adjustment mentioned above, commitment

revised as follows:

Current commitment	Revised commitment
<p>The Company promises to add "the company shall not waive the capital increase every year in the future of cpc Europa GmbH, CHIFTEK PRECISION HOLDING CO., LTD. (Hereinafter referred to as, CHIFTEK PRECISION holding company) in the" Regulations for Governing Acquisition and Disposal of Assets "; CHIFTEK PRECISION holding company shall not waive the capital increase of Chieftek Precision USA CO., LTD and Chieftek Precision Technology (Hong Kong) Co., Ltd. (hereinafter referred to as Chieftek Precision Hong Kong) in the future; Chieftek Precision Hong Kong shall not give up the capital increase in each year in the future of Chieftek Precision Machinery (Kunshan) Co., Ltd.; in the future, if the company needs to give up capital increase or dispose of the equity of the company due to strategic alliance considerations or other approvals from the counter purchase center, it must be approved by a special resolution of the Board of Directors of Chieftek Precision Co., Ltd. "If there are any amendments to this method, it should be entered in the public information observatories to disclose major information and write to the counter buying center for reference.</p>	<p>The Company promises to add "the company shall not waive the capital increase every year in the future of cpc Europa GmbH, CHIFTEK PRECISION HOLDING CO., LTD. (Hereinafter referred to as, CHIFTEK PRECISION holding company) and Chieftek Precision USA CO., LTD. in the" Regulations for Governing Acquisition and Disposal of Assets "; Chieftek Precision Technology (Hong Kong) Co., Ltd. (hereinafter referred to as Chieftek Precision Hong Kong) in the future; Chieftek Precision Hong Kong shall not give up the capital increase in each year in the future of Chieftek Precision Machinery (Kunshan) Co., Ltd.; in the future, if the company needs to give up capital increase or dispose of the equity of the company due to strategic alliance considerations or other approvals from the counter purchase center, it must be approved by a special resolution of the Board of Directors of Chieftek Precision Co., Ltd. "If there are any amendments to this method, it should be entered in the public information observatories to disclose major information and write to the counter buying center for reference.</p>

2. Revise to cooperate No.6, Article 7 of “Regulations for Governing Acquisition or Disposal of Assets”:

Before revision	After revision
<p>6. The company shall not waive the capital increase every year in the future of cpc Europa GmbH, CHIEFTEK PRECISION HOLDING CO., LTD. (Hereinafter referred to as CHIFTEK PRECISION holding company); CHIFTEK PRECISION holding company shall not waive the capital increase every year in the future of <u>CHIEFTEK PRECISION USA CO., LTD.</u> and Chieftek Precision Technology (Hong Kong) Co., Ltd (hereinafter referred to as Chieftek Precision Hong Kong); Chieftek Precision Hong Kong shall not waive the capital increase of Chieftek Precision Machinery (Kunshan) Co., Ltd. in each future year; in the future, if the company has to give up the capital increase or dispose of the equity of the company due to strategic alliance considerations or other approvals from the counter purchase center, it must be approved by a special resolution of the Board of Directors of Chieftek Precision Co.,</p>	<p>6. The company shall not waive the capital increase every year in the future of cpc Europa GmbH, CHIEFTEK PRECISION HOLDING CO., LTD. (Hereinafter referred to as CHIFTEK PRECISION holding company) and <u>CHIEFTEK PRECISION USA CO.,LTD;</u> <u>CHIFTEK PRECISION</u> holding company shall not waive the capital increase every year in the future of Chieftek Precision Technology (Hong Kong) Co., Ltd (hereinafter referred to as Chieftek Precision Hong Kong); Chieftek Precision Hong Kong shall not waive the capital increase of Chieftek Precision Machinery (Kunshan) Co., Ltd. in each future year; in the future, if the company has to give up the capital increase or dispose of the equity of the company due to strategic alliance considerations or other approvals from the counter purchase center,</p>

Before revision	After revision
Ltd.	it must be approved by a special resolution of the Board of Directors of Chieftek Precision Co., Ltd.

Note: The proposal was approved by the Board of Directors on April 28th,2020 and will be reported on Shareholders' Meeting on June 8th. 2020.

IX. BY THE PRINTING DEADLINE OF THE LATEST ANNUAL REPORT, THE MATTERS THAT PRESCRIBED IN SECURITIES EXCHANGE ACT ARTICLE 36, PARAGRAPH 3, ITEM 2 THAT HAVE GREAT IMPACT ON SHAREHOLDER'S EQUITY OR SECURITY PRICE ARE : **None.**

Appendix 1: The Financial Statement for the Most Recent Fiscal Year

Appendix 2: The Un-Consolidated Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

Chieftek Precision Co., Ltd

Chairman: Chen, Li-Fen