

# Quanta Computer Inc. Annual Report 2019



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## I. Report to Shareholders

Year 2019 was a critical year for Quanta to move toward the next three decades of growth through adjusting our global footprint and accumulating strength. This also marked the first year for Quanta to begin its transformation into an Artificial Intelligence (AI) company and to lead technological innovation. Despite facing constant political and economical changes worldwide, FY2019 revenue sustained at one trillion level as a result of all employees working together to ensure fast responses, to seek bold breakthroughs and to take aggressive actions to tackle all challenges. Aside from delivering growth in both revenue and profit against the trend, the Company also delivered outstanding performance with year-on-year growth in gross margin, operating profit margin and net profit margin.

Such outstanding performances are a reflection of the efforts Quanta has made in recent years on business transformation through technological upgrades, improved product mix and optimized operations. The efforts of transformation have gradually paid off, enabling Quanta to achieve success while maintaining stability in our business management amid a changing environment. We will continue to march forward on this basis with devotion in new technology development and new product portfolio expansion. At the same time, we will actively promote automated production to reduce costs and to enhance efficiency and quality. Quanta continues to focus on pursuing the business spirit of “Truthfulness, Satisfaction, Perfection.” “Truthfulness” is to seek truthfulness in everything we do, and “satisfaction” is to ensure that everything we do meets our level of satisfaction, while “perfection” is to achieve perfection in every objective ahead.

Quanta’s performance in FY2019 and outlook for FY2020 are as follows:

### I. Abstract of Quanta’s performance in FY2019

In FY2019, the consolidated revenue reported at NT\$1.03 trillion, a slight increase of 0.2% from a year ago. The gross margin and operating profit margin were 4.8% and 1.8%, up from 4.3% and 1.4% a year ago, while annual growth rate at 12.1% and 32.8% respectively. Net profits after tax in FY2019 and FY2018 were NT\$16.32BN and NT\$15.33BN. Net income attributable to owners of parent in FY2019 and FY2018 were NT\$15.94BN and NT\$15.12BN, with an annual growth rate of 5.5%. EPS in FY2019 was NT\$4.14, which marked four-year high. The Board of Directors has approved cash dividend distribution of NT\$3.70 per share or dividend payout ratio of 89.4%. The non-operating income in FY2019 was NT\$1.56BN.

Since the beginning of the U.S-China trade war, the U.S has periodically announced imposition of additional tariffs on selected Chinese-made products imported to the U.S. In order to assist our customers to avoid potential business losses and additional tax burden arise from the trade tension, Quanta quickly responded at the first opportunity by expanding our manufacturing and production capacity in Taiwan within the Hwa Ya Technology Park, including the expansion of QC1, establishment of production capacity in QC2 and QAT (Dong Yuan Plant), as well as new construction of the Third Production Plant (QC3) in Taiwan. Furthermore, Quanta has extended our manufacturing capacity into Southeast Asia for the first time by establishing a new production plant in Thailand. At the same time, our current production and manufacturing bases in China, the U.S. and Europe have also been further optimized. Quanta leverages our comprehensive global footprint and high-efficiency production plants to turn the negative impact brought by the trade war on the complex global supply chain and crisis arise from the changing global economy and trade into new opportunities. We embrace the opportunity to enhance our competitiveness and to strengthen relationships with customers.

Through diversifying production plants and increasing the mobility of local production capacity, we have effectively diminished the risk associated with overly concentrated production. Our manufacturing sites in Taiwan have the geographical advantage of proximity to our R&D headquarters, which enables us to closely integrate R&D with production to achieve the synergy of “Time to MP (Mass Production)” and thereby accelerate our process of innovation. At the same time, we have introduced “Q-Factory” (Industrial 4.0) in our production plants for reasonable, automated and smart processes to gradually increase the adoption of automated production and to further enhance plant efficiency. Quanta continues to improve the engineering skillset in product manufacturing coupled with our innovative capability through R&D talents, we have redefined the next-generation of “Made in Taiwan” to provide products and services with higher value-add to the market.

## II. Operational outlook for FY2020

As the COVID-19 pandemic spreads around the world, the oil price continues to drop and the isolation measures taken by many countries to contain the pandemic have inevitably resulted in a slowdown in consumer and economic activities, as well as a sharp increase in unemployment rate. COVID-19 has posed serious challenge to the global medical and economic systems. Looking into FY2020, there are still concerns for the global economy to head into recession, and the overall economic situation leaves little room for optimism. Nevertheless, Quanta continues to embrace the challenge and to march forward even in such an uncertain environment. We promote the ideology of “Innovation, Change, Transcendence” with focus on the objectives of “R&D Innovation” and “Manufacturing Advancement.” We stay alert on the 5G development trend, to develop AI applications, and to connect cloud-related technology with IoT. We devote tremendous amount of efforts in new business opportunities, new applications, and new products. Quanta remains calm especially during such difficult times by accumulating our R&D strength to seize opportunities ahead of competitions.

In terms of 5G applications, Quanta continues to develop comprehensive end-to-end 5G hardware products and solutions. We further cooperate with telecommunication equipment vendors in developing edge computing equipment associated with 5G infrastructure buildout to meet the needs of telecommunication operators to deploy 5G networks and to build micro data centers to provide edge computing services.

In terms of the development in AI technologies, Quanta will expand into the smart medical field through the aspect of “ABCD” — “A” for Algorithm, “B” for Big Data, “C” for Cloud Computing, and “D” for Devices. In order to do so, the Company has established “Quanta Artificial Intelligence Lab (QAIL)” to develop algorithms and learning models in deep neural network. QAIL will collaborate with Quanta Research Institute (QRI) to execute the development of platform integration and software technologies. Leveraging big data and storage resources to accelerate the application of AI customization and to develop applications in precision medicine. Furthermore, we have engaged in extensive cooperation with worldwide leading enterprises and renowned academic institutions to develop AI applications in big data software, tools and models. As an example of our cooperation in Taiwan, Quanta cooperated with government agencies and industry leaders to build the “Taiwan AI Cloud” with supercomputers to provide high-speed computing resources, storage resources and big data for the development of various innovative AI applications in academic and industrial fields.

In recent years, the “Stay at Home Economic” has become a trend with the maturity of broadband services and cloud infrastructure. In 2020, it is expected that the computing demands arise from isolation measures such as work from home and remote learning will not only increase the trend of enterprises outsourcing their computing needs, but also support the solid growth momentum in cloud computing business. End devices with productivity, such as notebook computers would also benefit from such demand. We strongly believe that new technologies, new techniques, new tools and new methods would ultimately lead people out of difficulties and bring about new opportunities. Therefore, Quanta will continue to invest in AI, 5G and other new areas amid challenges posed by the pandemic and continue to actively recruit talents and devote into innovative areas. At Quanta, everyone is engaged in lifelong learning, non-stop thinking, innovation, and accelerating the pace of growth. We are committed in doing things right and satisfactorily the first time and follow the spirit of skilled craftsmen to seek for perfection, to pursuit for excellence, and perseverance under hardship. Through the use of “RE-THINK, RE-LEARN, RE-INVENT,” Quanta continues to seek excellence in technology and management. We would take advantage of the economic downturn to stay ahead of competitions and await for the next wave of market surge.

Chairman:	Barry Lam
Vice Chairman & President:	C.C. Leung
Chief Financial Officer:	Elton Yang

## II. Company Profile

### 1. Date of Incorporation

May 9, 1988.

### 2. Key Milestone

Year	Key Milestone
1988	• Quanta Computer was established in Shilin District, Taipei City with paid-in capital of NT\$30M
1989	• Manufacturing site relocated to Linko district in Taoyuan City • Annual sales exceeded NT\$800M
1990	• Ranked #145 in annual trade performance and received "Award for International Trade" from Bureau of Foreign Trade, Ministry of Economic Affairs
1992	• Ranked #55 in annual trade performance and received "Award for International Trade" from Bureau of Foreign Trade, Ministry of Economic Affairs • Ranked #60 in Top 500 Private Manufacturing Corporations by China Credit Information Service, Ltd.
1993	• Ranked #90 in "Top 1,000 Manufacturing Enterprises" by CommonWealth Magazine
1994	• Awarded with "First Class Award for Well-Performing Exporting Firm" by Bureau of Foreign Trade, Ministry of Economic Affairs • Certified with ISO 9002
1995	• Certified with ISO 9001
1996	• Annual notebook shipment marked record high and ranked No. 1 notebook computer manufacturer in Taiwan for the first time
1997	• Groundbreaking ceremony for headquarters and factory buildings (QC1) in Hwaya Technology Park in Linko district
1998	• Ranked #3 in "The Information Technology 100 -- Who Is the Most Profitable" by American Business Week • Annual notebook computer shipment exceeded 1M units for the first time
1999	• Quanta Computer Inc. listed in Taiwan Stock Exchange (TWSE) • Inauguration for QC1
2000	• Inauguration for R&D Center • Established manufacturing site in Shanghai
2001	• Chairman, Mr. Barry Lam, was awarded with "The World's Top 25 Most Outstanding Managers" by Business Week • Became No. 1 notebook computer manufacturer in the world • Ranked first place in import/export volume and awarded with "Golden Trading Award" by Bureau of Foreign Trade, Ministry of Economic Affairs
2002	• Affiliated Company, Quanta Storage Inc., listed in OTC • Chairman, Mr. Barry Lam, was awarded with "Wen Hsin Special Award" by Council for Cultural Affairs, Executive Yuen • Selected by Global Finance as "BEST CCOMPANIES in Asia" in Computer Hardware Category



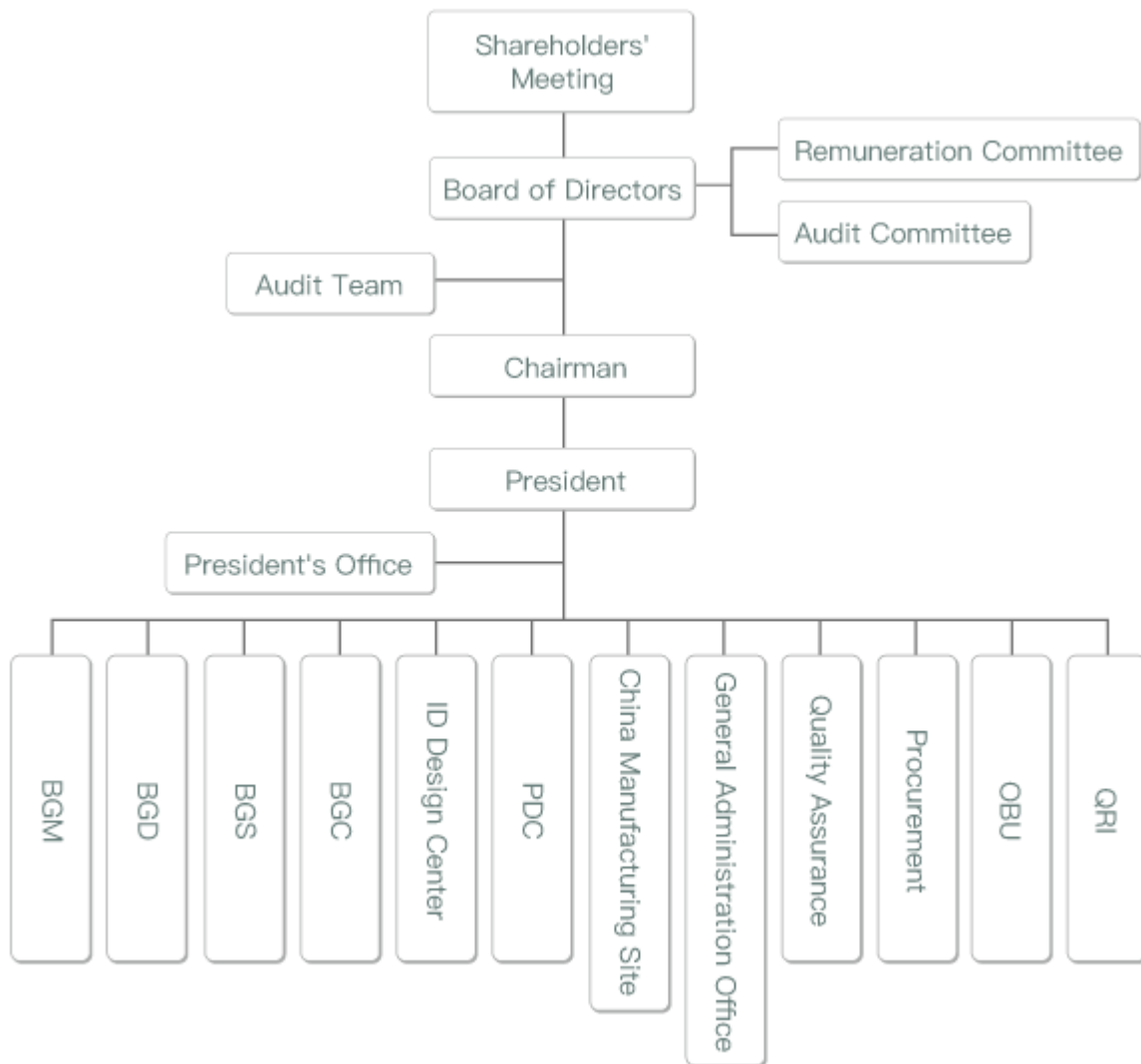
2003	• Chairman, Mr. Barry Lam, was awarded with "Second Class Bright Star Medal" by the Presidential Office of Taiwan
	• Received "MOE Industrial Technology Development Award – Excellent Achievement Award"
	• Inauguration for QRDC (Quanta Research & Development Complex)
2004	• Ranked #5 in "Top Ten Fastest Growing Company" by China Credit Information Service, Ltd.
2005	• Company's registration address changed to No. 188, Wenhua 2 <sup>nd</sup> Rd., Guishan Dist., Taoyuan City
	• Inauguration for Quanta Research Institute (QRI)
2006	• Announced strategic alliance with RoyalTek to complete Company's vertical integration in GPS technology and manufacturing capabilities
	• Ranked #454 in the "Global Fortune 500 Enterprises" by Fortune Magazine
2007	• Certified as CMMI Level 2 manufacturer for mobile phone devices
	• Ranked #15 in the "2007 Most Admired Company" by Fortune Magazine
	• Both the Company and Chairman, Mr. Barry Lam, received honorary doctorate and outstanding alumni awards from the National Taiwan University
2008	• Set up manufacturing site for Hwaya Medical Device Manufacturing Site
	• Awarded with "Excellence in Corporate Social Responsibility" by Common Wealth Magazine
2009	• Inauguration for Quanta Arts and Performance Center
	• Recognized as first place in "The Most Admired Company in Notebook Industry" and top 10 of the "Most Admired Company Survey" by CommonWealth Magazine
	• Chairman, Mr. Barry Lam, was recognized as the "Most Admired Entrepreneurs" by CommonWealth Magazine
	• Revealed the "New 3C" concept--Cloud Computing, Connectivity, and Client Device, as the vision of the Company to achieve the goal of cloud computing development
2010	• Nominated for the "World's 500 Most Influential Brands" by World Brand Lab
	• Quanta Computer, Chairman, and Quanta Culture & Education Foundation received Gold Medal of the "10 <sup>th</sup> Arts & Business Awards" from the Council for Cultural Affairs, Executive Yuen
	• Awarded with "Industrial Technology Advancement Award" by the Ministry of Economic Affairs
	• Ranked #12 in the "World Most Admired Company" by Fortune Magazine
	• Built up the third manufacturing site in Chongqing, China
2011	• Ranked #1 in the "2011 Most Admired Company in Taiwan" in Computer Industry category by CommonWealth Magazine
	• Ranked #1 in Taiwan and #80 in overall ranking of the "Asia's 500 Most Influential Brands"
	• Ranked #602 in the "Forbes Global 2,000"
2012	• Chairman, Mr. Barry Lam, received honorary doctorate at the College of Engineering from the National Tsing Hua University
	• Recognized as the "Asia's Fab 50" by Forbes Magazine
	• Chairman, Mr. Barry Lam, received the "Pan Wen Yuan" prize

2013	• Chairman, Mr. Barry Lam, received the honorary title of “2013 ITRI Laureate” awarded by the Industrial Technology Research Institute (ITRI)
	• Received "A" ranking by the Security and Future Institute on the "10 <sup>th</sup> Information Transparency and Disclosure Rankings"
	• Ranked #10 and was also the only enterprise in Asia Pacific to receive the "2013 ASTD BEST Awards for Excellence in Workplace Learning and Performance" from the Association for Talent Development (ASTD)
	• Ranked #13 in "Top 50 Enterprises of Excellence in Corporate Social Responsibility" by CommonWealth Magazine
2014	• Received “The 9 <sup>th</sup> National HRD InnoPrize” by the Ministry of Labor
2015	• Chairman, Mr. Barry Lam, received "Order of Propitious Clouds with Grand Cordon" from The Office Of The President
	• President, Mr. C.C. Leung, received honorary doctorate from the National Chiao Tung University
	• Received "2015 National Talent Development Awards" for Large Enterprise and Outstanding Individual in Practice Award by the Ministry of Labor
	• Received Gold Medal of the “Best Employment Award” by Taoyuan City Government
	• Entitled to receive "Badge of Accredited Healthy Workplace" by the Ministry of Health and Welfare
2017	• Subsidiary, QCT, won “The Most Innovative Cloud Based Project – Cloud Computing Development Program” award from The Asset Magazine
2018	• Ranked #354 in the “Fortune Global 500” by Fortune Magazine
	• Awarded with "2017 Industry Excellent Production and Output" by National-Level Shanghai Songjiang Economic & Technological Development Zone
	• Awarded with "2017 Lead Investing Company" by National-Level Shanghai Songjiang Economic & Technological Development Zone
	• Awarded with “2017 Best Chinese Suppliers in Response to Climate Change” by China CDP Global Environment Information Research Center
2019	• Chairman, Mr. Barry Lam, was awarded with “1 <sup>st</sup> Class Science and Technology Profession Medal” from the Ministry of Science and Technology
	• Nominated for "Derwent Top 100 Global Innovators 2018-2019" by Clarivate Analytics for the first time
	• Ranked #5 in the “Top 100 Foreign Invested Companies In Employee Recruitment In Shanghai City” by Shanghai Association of Foreign Investment
2020	• Nominated for "Derwent Top 100 Global Innovators 2020" by Clarivate Analytics
	• Awarded with "2019 Industry Excellent Production and Output" by National-Level Shanghai Songjiang Economic & Technological Development Zone

### III. Corporate Governance

#### 1. Organization Structure

##### (1) Organization Structure



(2) Major Corporate Functions

<b>Department</b>	<b>Major Functions</b>
President's Office	<ul style="list-style-type: none"> <li>• Implementation and execution of the Company's overall organizational business, sales and production, as well as operational targets.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Supervise the fair presentation of the Company's financial statements; the selection/dismissal, independency, and performance of CPAs; the effective implementation of internal control; legal compliance; and the control of existing or underlying risks.</li> </ul>
Remuneration Committee	<ul style="list-style-type: none"> <li>• Establish and periodically review the policy, system, standard, and structure of performance evaluation and the remuneration for Directors and management team.</li> <li>• Periodically access and determine the remuneration for Directors and management team.</li> </ul>
Audit Team	<ul style="list-style-type: none"> <li>• Audit and evaluate internal control system and provide recommendation based on analysis and assessment.</li> <li>• Facilitate effective control with a reasonable cost and assess quality improvement.</li> </ul>
BGM Business Unit	<ul style="list-style-type: none"> <li>• Supervise the operations of related products and businesses in specific market segmentation.</li> </ul>
BGD Business Unit	
BGC Business Unit	
BGS Business Unit	<ul style="list-style-type: none"> <li>• Design and manufacture of mechanical modules.</li> </ul>
ID Design Center	<ul style="list-style-type: none"> <li>• Product industrial design.</li> </ul>
Product Design Center (PDC)	<ul style="list-style-type: none"> <li>• Product technical support.</li> </ul>
China Manufacturing Site	<ul style="list-style-type: none"> <li>• Administer various management affairs of Company's manufacturing sites in China.</li> <li>• Supervise the implementation of logistic management to ensure smooth operation of production plans.</li> <li>• Supervise the manufacturing sites to optimize overall efficiency of production units.</li> </ul>
General Administration Office	<ul style="list-style-type: none"> <li>• Manage external public affairs, cooperate image, media relations and organization of PR and marketing activities.</li> <li>• Collect and analyze various data on production plan and financial analysis as a reference for business operation.</li> <li>• Planning and implementation of construction affairs.</li> <li>• Administer legal affairs.</li> <li>• Planning and operation of financial and accounting affairs, including fund management, account management and tax affairs.</li> </ul>

Department	Major Functions
	<ul style="list-style-type: none"> <li>• Planning and implementation of human resources management systems.</li> <li>• Integration and planning of management information systems.</li> <li>• Maintenance of hardware equipment on promise to provide employees with a safe work environment.</li> </ul>
Quality Assurance Center	<ul style="list-style-type: none"> <li>• Execute QA objectives, administer the operation of quality assurance system and management of quality control and customer services.</li> </ul>
Procurement Center	<ul style="list-style-type: none"> <li>• Procure high-quality and low-cost materials that satisfy market needs.</li> </ul>
Overseas Business Unit	<ul style="list-style-type: none"> <li>• Overseas business establishment and expansion.</li> </ul>
Quanta Research Institute (QRI)	<ul style="list-style-type: none"> <li>• Plan the direction for new product development.</li> <li>• Provide necessary support for introducing new products to the market.</li> </ul>

## 2. Directors and Management Team

### (1) Directors and Supervisors

#### I. Profiles of Directors

Date: April 21, 2020

Unit: Shares

Title	Nationality (note 1) / Gender	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) note 5	Other Position (note 5)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation (note 4)
Chairman	-/Male	Barry Lam	06/21/ 2019	3 years	05/05 /1988	415,738,138	10.76%	415,738,138	10.76%	11,157,506 (note 2)	0.29%	4,400,000	0.11%	-	-	-	NA	-
Vice Chairman	-/Male	C. C. Leung	06/21/ 2019	3 years	05/05 /1988	82,645,736	2.14%	82,645,736	2.14%	0	-	0	-	-	-	-	NA	-
Director	-/Male	C. T. Huang	06/21/ 2019	3 years	06/13 /2008	5,163,197 (note 2)	0.13%	5,163,197 (note 2)	0.13%	4,236,311 (note 2)	0.11%	0	-	-	-	-	NA	-
Director	-/Male	Tim Li	06/21/ 2019	3 years	06/24 /2016	138,185	-	138,185	-	890	-	0	-	-	-	-	NA	-
Independ ent Director	-/Male	Dr. Wei- Ta Pan	06/21/ 2019	3 years	06/20 /2001	0 (note 2)	-	0 (note 2)	-	0	-	0	-	-	-	-	NA	-
Independ ent Director	-/Male	Dr. Pisin Chen	06/21/ 2019	3 years	06/24 /2016	18,000	-	18,000	-	0	-	0	-	-	-	-	NA	-
Independ ent Director	-/Male	Hung Ching Lee	06/21/ 2019	3 years	06/21 /2019	0	-	0	-	0	-	0	-	-	-	-	NA	-

Note 1: Those without nationality indication are citizens of the Republic of China (R.O.C.)

Note 2: Other entitlements of shares are excluded.

Note 3: QCI has established Audit Committee, therefore the three independent Directors are ex officio members to exercise the powers of supervisors.

Note 4: The Chairman and the President, or person of an equivalent post (the highest level manager) of the Company are not the same person, spouses, or relatives within the first degree of kinship.

Note 5: Major experiences and con-current job posts of Directors:

Title	Name	Education/Experiences	Con-Current Job Posts
Chairman	Barry Lam	<ul style="list-style-type: none"> <li>• Master Degree in Electrical Engineering, Honorary Doctorate, and Outstanding Alumni at the National Taiwan University</li> <li>• Honorary Doctorate at the College of Engineering at the National Tsing Hua University</li> <li>• President of Kinpo Electronics</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman: Chien Yue Investment Co., Ltd., QVCL, QCTI, QSI, Quanta Cloud Technology Inc., QIL, AIC, QCA, QCH, QAL, QCML, QCT LLC, QCT Inc., Quanta Culture &amp; Education Foundation, Quanta Arts Foundation, Quanta AI Medical Foundation.</li> <li>• Director: QMIT, PK Venture Capital Corp., Maxima Capital Management, China Power Venture Capital Corp., WK Technology Fund VI, WK Technology Fund VII, QMI, QSI, CDIB, SINOCON Industrial Standards Foundation.</li> <li>• Board of Director at CNAIC</li> <li>• Board of Director &amp; Vice President of the Institute for Biotechnology and Medicine Industry (IBMI)</li> </ul>
Vice Chairman	C. C. Leung	<ul style="list-style-type: none"> <li>• Honorary Doctorate at the National Chiao Tung University</li> <li>• Bachelor Degree in Physics at the National Taiwan University</li> <li>• Vice President of Kinpo Electronics</li> <li>• Vice President of Compal Computer</li> </ul>	<ul style="list-style-type: none"> <li>• President of Quanta Computer Inc.</li> <li>• Chairman: QMIT, QMI, QSI, QSN, QCN, QCHN, QMN, QCTG, QDL, QIT, Q_Bus, Tech Chain Ltd., Exmore, QDL(HK), Tech Chain(HK), Exmore(HK)</li> <li>• Director: QCTI, Quanta Cloud Technology Inc., QSI, RTK, AIC, QCA, QCML, QCJ, QMB, QCTS</li> <li>• Director &amp; President of QVCL and QCH</li> </ul>
Director	C. T. Huang	<ul style="list-style-type: none"> <li>• Bachelor Degree in Electrical Engineering at the Chung Yuan Christian University</li> <li>• Factory Director of Kinpo Electronics</li> </ul>	<ul style="list-style-type: none"> <li>• EVP of Quanta Computer Inc.</li> <li>• Chairman: TFC, TCC, TWW, TLC, TGC, TTC, TNC, TFQ, TWQ, ZYES, YDCQ, TCQ, QSS, GTM</li> <li>• Director of QCTI &amp; QMB</li> <li>• Supervisor of QVCL</li> </ul>
Director	Tim Li	<ul style="list-style-type: none"> <li>• Master Degree in Industrial Engineering at New Jersey Institute of Technology</li> <li>• Assistant Engineer at the Industrial Development Bureau, Ministry of Economic Affairs</li> </ul>	<ul style="list-style-type: none"> <li>• SVP of Quanta Computer Inc.</li> <li>• Director: QMIT, CDIB BioScience Venture Management, QVCL, QCJ, ZYES, FDDT, DGT, KSH, SJDT</li> <li>• Director &amp; President: TFC, TCC, TWW, TLC, TGC, TTC, TNC, TFQ, TWQ, YDCQ, TCQ, GTM</li> <li>• Supervisor of QCTI</li> <li>• Vice Chairman of TechView International Technology Inc.</li> </ul>

Independent Director	Dr. Wei-Ta Pan	<ul style="list-style-type: none"> <li>• Nebraska Law School, J.D.</li> <li>• Tulane Law School, L.L.M.</li> <li>• President, Chairman at Department of Law, School of Law at Soochow University</li> <li>• Arbitrator of The Arbitration Association of The Republic of China</li> </ul>	<ul style="list-style-type: none"> <li>• President of Soochow University and Professor at School of Law, Soochow University</li> <li>• Chairman of the Private School Promotion Foundation</li> <li>• Director of the Modern Women's Foundation</li> <li>• Independent Director, Audit Committee Member, Remuneration Committee Member of China Life Insurance Co. Ltd.</li> <li>• Independent Director &amp; Audit Committee Member of Radium Life Tech. Co., Ltd.</li> <li>• Member and Chair of the Audit Committee and Remuneration Committee at Quanta Computer Inc.</li> <li>• Chairman of R.O.C. Private School Faculty and Staff Retirement, Compensation, Resignation and Severance Fund Management Committee</li> </ul>
Independent Director	Dr. Pisin Chen	<ul style="list-style-type: none"> <li>• Doctoral Degree in Theoretical Particle Physics at the University of California, Los Angeles (UCLA)</li> <li>• Professor of Physics at the National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>• Professor of Physics at the National Taiwan University</li> <li>• Director and Chair Professor at the Leung Center for Cosmology and Particle Astrophysics, National Taiwan University</li> <li>• Lifetime Analyst at the Kavli Institute for Particle Astrophysics and Cosmology (KIPAC), Stanford University</li> <li>• Member of the Audit Committee at Quanta Computer Inc.</li> </ul>
Independent Director	Hung Ching Lee	<ul style="list-style-type: none"> <li>• Master Degree in Finance and Law at the Chung Yuan Christian University</li> <li>• Bachelor Degree in Accounting at the Chung Yuan Christian University</li> <li>• Vice President of TCB Bank Securities Corp.</li> <li>• Senior Vice President at Capital Securities Corp.</li> <li>• Assistant Manager at the Taiwan Stock Exchange Corp.</li> <li>• Independent Director, Member and Chair of the Audit Committee and Remuneration Committee at Chuwa Wool Industry Co., Ltd. (1439)</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Audit Committee and Remuneration Committee at Quanta Computer Inc.</li> </ul>



II. Major Shareholders of Institutional Shareholders: NA.

III. Professional Qualifications and Independence Analysis of Directors and Supervisors:

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together With at Least Five Years Work Experience			Independence Criteria*												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in Commerce, Law, Finance, Accounting or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Barry Lam			✓					✓		✓			✓	✓	✓	✓	0
C. C. Leung			✓					✓	✓	✓			✓	✓	✓	✓	0
C. T. Huang			✓				✓	✓	✓	✓			✓	✓	✓	✓	0
Tim Li			✓				✓	✓	✓	✓			✓	✓	✓	✓	0
Dr. Wei-Ta Pan	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2 (note13)
Dr. Pisin Chen	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hung Ching Lee			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0 (note 14)

\* Please tick the corresponding boxes that apply to the Directors during the two years prior to being elected or during the term of office:

1. Not an employee of the company or its affiliates.
2. Not a Director or supervisor of the company or any of its affiliates. Not applicable in case where the person is an independent Director of the Company, its parent company, a subsidiary, or any subsidiary under the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in shareholding.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. Not a Director, supervisor, or employee of a corporate shareholder that the majority of the company's Director seats or voting shares are controlled by the same person. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. Not a Director (or governor), supervisor, or employee of another company or institution that the chairperson, general manager, or person holding an equivalent position of the company are the same person or are spouses. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a Director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
13. Dr. Wei-Ta Pan is concurrently serving as an independent Director at China Life Insurance Co. Ltd. and Radium Life Tech. Co., Ltd. The term of independent Director at China Life Insurance Co. Ltd. was terminated on May 12, 2020.
14. Mr. Hung Ching Lee is concurrently serving as an independent Director at Chuwa Wool Industry Co., Ltd., the term was terminated on February 17<sup>th</sup>, 2020.

## (2) Profiles of Key Management Team:

Date: April 21, 2020

Unit: Shares

Title	Nationality (Note 1)/ Gender	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) Note 4	Other Position (Note 4)	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation (note 3)
President	-/Male	C.C. Leung	1998.04	82,645,736	2.14%	0	0	0	-	-	-	-	NA	-
EVP	-/Male	C.T. Huang	1998.04	5,163,197 (Note 2)	0.13%	4,236,311 (Note 2)	0.11%	0	-	-	-	-	NA	-
EVP	-/Male	Alan Tsai	2002.01	32,271	-	0	-	0	-	-	-	-	NA	-
SVP	-/Male	Tim Li	1998.05	138,185	-	890	-	0	-	-	-	-	NA	-

SVP	-/Male	C.S. Yang	1996.07	217,600	0.01%	203,559	0.01%	0	-	-	-	-	NA	-
SVP	-/Male	Alan Chai	2004.05	50,000	-	0	-	0	-	-	-	-	NA	-
SVP	-/Male	Mike Yang	2002.07	51,345	-	0	-	0	-	-	-	-	NA	-
SVP (CFO)	-/Male	Elton Yang	2006.11	16,504	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Steve Cheng	2003.01	20,543	-	4,425	-	0	-	-	-	-	NA	-
VP	-/Female	Michelle Hsieh	2002.07	24,000	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Brand Chang	2002.07	166,015	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	J.J. Wei	2006.05	262,392	0.01%	0	-	0	-	-	-	-	NA	-
VP	-/Male	Danny Lin	2001.05	1,987,841	0.05%	812,162	0.02%	0	-	-	-	-	NA	-
VP	-/Female	Terrisa Chung	2005.05	66,400	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Jimmy Chin	2008.07	134	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Ted Chang	2009.01	185	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Thomas Tsou	2009.08	1,000	-	133	-	0	-	-	-	-	NA	-
VP	-/Male	James Jau	2010.03	3,004	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Roger Huang	2000.08	4,759,596	0.12%	136,112	-	0	-	-	-	-	NA	-
VP	-/Male	W.L. Sung	2010.07	1,185,693	0.03%	0	-	0	-	-	-	-	NA	-
VP	-/Male	J.C. Tzeng	2011.01	173,672	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Bruce Wu	2012.06	71,551	-	1,332	-	0	-	-	-	-	NA	-
VP	-/Male	Jonny Hsu	2012.12	660	-	0	-	0	-	-	-	-	NA	-

VP	-/Male	Tony Tan	2015.03	304	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Peter Hsieh	2016.03	400	-	3,000	-	0	-	-	-	-	NA	-
VP	-/Male	Michael Wu	2019.03	0	-	200,000	0.01%	0	-	-	-	-	NA	-
VP	-/Male	Robin Chou	2019.04	0	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Frank Chuang	2019.04	20,000	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Vincent Yuan	2020.01	0	-	0	-	0	-	-	-	-	NA	-
Internal Audit Officer	-/Female	Tracy Li	2019.05	1,982	-	0	-	0	-	-	-	-	NA	-

Note 1: Those without nationality indication are citizens of the Republic of China (R.O.C.)

Note 2: Other entitlements of shares are excluded.

Note 3: The Chairman and the Vice Chairman, or the general manager or person of an equivalent post (the highest level manager) of the Company are not the same person, spouses, or relatives within the first degree of kinship.

Note 4: Major experiences and con-current job posts of key management team:

Title	Name	Education/Experiences	Con-Current Job Posts
President	C.C. Leung	Please refer to details disclosed for Directors	Please refer to details disclosed for Directors
EVP	C.T. Huang	Please refer to details disclosed for Directors	Please refer to details disclosed for Directors
EVP	Alan Tsai	<ul style="list-style-type: none"> <li>• Master of Science from the Institute of Computer Science and Decision at the National Tsing Hua University</li> <li>• Bachelor of Science from the Department of Computer Engineering at the National Chiao Tung University</li> <li>• SVP &amp; Group GM, Business Group of Mobile Computing, First International Computer Inc.</li> </ul>	NA
SVP	Tim Li	Please refer to details disclosed for Directors	Please refer to details disclosed for Directors
SVP	C.S. Yang	<ul style="list-style-type: none"> <li>• Bachelor of Science in Industrial Management at the National Cheng Kung University</li> <li>• Director of Procurement at Wang Computer Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of SJDT, DGT, FDDT, KSH, KCC</li> </ul>
SVP	Alan Chai	<ul style="list-style-type: none"> <li>• MBA &amp; BS of EE, Chung Yuan Christian University</li> <li>• VP General Photonics Inc, Chino, USA</li> <li>• President, ADI System Inc, San Jose, USA</li> <li>• Managing Director, ADI System (UK) Limited, UK.</li> <li>• AVP, ADI Corp, Taipei</li> </ul>	NA
SVP	Mike Yang	<ul style="list-style-type: none"> <li>• Master of Science in Electrical Engineering at Arizona State University</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Quanta Cloud Technology Japan Inc.</li> </ul>

		<ul style="list-style-type: none"> <li>• Assistant VP of Procurement at A.D.I. Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Director &amp; President of Quanta Cloud Technology Inc. and QCT Korea Inc.</li> <li>• Managing Director of QCTG &amp; QCG</li> <li>• Director of QCTS</li> <li>• President of QCT LLC</li> <li>• Independent Director, Member of Audit Committee, Compensation Committee, Growth Strategy Committee, Corporate Sustainability Committee at LITE-ON</li> </ul>
SVP (CFO)	Elton Yang	<ul style="list-style-type: none"> <li>• MBA at National Chengchi University</li> <li>• Bachelor of International Business at the National Taiwan University</li> <li>• CFO at Quanta Display Inc.</li> <li>• VP at Citibank</li> </ul>	<ul style="list-style-type: none"> <li>• Director of RTK, PK Venture Capital Corp., Maxima Capital Management, CDIB BioScience Venture Management, China Power Venture Capital Corp., CDIB Capital Innovation Accelerator Co., Ltd., QCE, TFC, TCC, TWW, TLC, TGC, TTC, TFQ, TWQ, TNC, ZYES, FDDT, DGT, GTM, KSH, KCC, SJDT, YDCQ, TCQ, QMB</li> </ul>
VP	Steve Cheng	<ul style="list-style-type: none"> <li>• MBA at University of Southern California</li> <li>• Director of Design Department at SYSTEX Corp.</li> <li>• Assistant VP at Xandar International Corp.</li> </ul>	NA
VP	Michelle Hsieh	<ul style="list-style-type: none"> <li>• EMBA at the National Taipei University</li> <li>• Bachelor of Science in Electrical Engineering at the National Taiwan Ocean University</li> <li>• FIC &amp; VP of Portable Computer Group at First International Computer Inc.</li> </ul>	NA
VP	Brand Chang	<ul style="list-style-type: none"> <li>• Bachelor of Science in Industrial Design, Feng Chia University</li> <li>• Manager of Procurement at In-Chia Electronics Inc.</li> </ul>	NA
VP	J.J. Wei	<ul style="list-style-type: none"> <li>• Master of Management Science at National Chao-Tung University</li> <li>• CQO &amp; President of NB OEM Business Unit at ASUSTek Computer Inc.</li> <li>• General Plant Manager at Wistron Corporation</li> <li>• Assistant VP of Quality Assurance Center at Arima Computer</li> </ul>	NA
VP	Danny Lin	<ul style="list-style-type: none"> <li>• MBA at the University of South Australia</li> <li>• Associate Degree in Technology from the Department of Industrial Engineering at the National Taipei University</li> <li>• Deputy Chief of Material Control Section at Compal Electronics Inc.</li> <li>• Material Planner at the Cal-Comp Electronics Inc.</li> </ul>	NA
VP	Terrisa Chung	<ul style="list-style-type: none"> <li>• Bachelor of Industrial Engineering at the National Tsing Hua University</li> <li>• Sales Manager at ADI Corporation</li> </ul>	NA
VP	Jimmy Chin	<ul style="list-style-type: none"> <li>• Computer Science at Polytechnic University</li> <li>• Assistant VP of Sales at First International Computer Inc.</li> </ul>	Chairman of QCJ Corp.
VP	Ted Chang	<ul style="list-style-type: none"> <li>• Ph.D., Institute of Aeronautics and Astronautics Engineering at the National Cheng Kung University</li> <li>• Project Director of Quanta-MIT T-Party and Qmulus Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Member of ABAC for Taiwan (APEC Business Advisory Council)</li> </ul>

		<ul style="list-style-type: none"> <li>• Manager &amp; PEM of Local Vehicle Team at Ford Lio Ho Motor Company</li> </ul>	<ul style="list-style-type: none"> <li>• Board member of Epoch Foundation, Quanta Culture and Education Foundation, Ever Fortune.AI</li> <li>• Visiting Scientist, Project Leader of Computational Health, CSAIL (Computer Science and Artificial Intelligence Lab), MIT</li> </ul>
VP	Thomas Tsou	<ul style="list-style-type: none"> <li>• MBA at the University of South Australia</li> </ul>	NA
VP	James Jau	<ul style="list-style-type: none"> <li>• Bachelor of Science in Nuclear Engineering and Science at Taiwan Tsing Hua University</li> <li>• Master of Science in Electrical Engineering at Oklahoma State University</li> <li>• Senior Engineer at Wang Computer Inc.</li> <li>• Assistant VP at HTC Corp.</li> <li>• President of Atrust Computer Corp.</li> </ul>	NA
VP	Roger Huang	<ul style="list-style-type: none"> <li>• Bachelor of Science in Computer Science at the Tam Kang University</li> <li>• Engineer at Compal Electronics Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Plenty Link Technology Co. Ltd., EBN Technology Ltd. and Quantum Optoelectronics Ltd.</li> </ul>
VP	W.L. Sung	<ul style="list-style-type: none"> <li>• Associate Degree in Electronics at the MingHsin Institute of Technology</li> <li>• R&amp;D Specialist at A.D.I. Corporation</li> </ul>	NA
VP	J.C. Tzeng	<ul style="list-style-type: none"> <li>• Master of Mechanical (Manufacturing) Engineering at the Syracuse University</li> </ul>	NA
VP	Bruce Wu	<ul style="list-style-type: none"> <li>• Doctor of Business Administration at the Victoria University</li> <li>• Associate Degree in Electrical Engineering at the MingHsin Institute of Technology</li> </ul>	NA
VP	Jonny Hsu	<ul style="list-style-type: none"> <li>• Bachelor of Science in Electric Engineering at Chung Yuan Christian University</li> </ul>	NA
VP	Tony Tan	<ul style="list-style-type: none"> <li>• Master Degree of Electric Engineering at Santa Clara University, California</li> </ul>	NA
VP	Peter Hsieh	<ul style="list-style-type: none"> <li>• Bachelor of Science in Electrical Engineering at Feng Chia University</li> <li>• Manager of OEM sales, Manager of Procurement at Philips Taiwan</li> </ul>	NA
VP	Michael Wu	<ul style="list-style-type: none"> <li>• EMBA at Shanghai Jiaotong University</li> <li>• Master of Electrical Engineering at Taiwan Tsing Hua University</li> <li>• Bachelor of Science in Electrical Engineering at Taiwan Tsing Hua University</li> </ul>	NA
VP	Robin Chou	<ul style="list-style-type: none"> <li>• Master of Electrical Engineering at Taiwan Tsing Hua University</li> <li>• Field Application Engineer at Broadcom Inc.</li> </ul>	NA
VP	Frank Chuang	<ul style="list-style-type: none"> <li>• Master of Automatic Control Engineering at Feng Chia University</li> <li>• Bachelor of Science in Electrical Engineering at Feng Chia University</li> <li>• Director of Product Value Labs at Acer Inc.</li> </ul>	NA
VP	Vincent Yuan	<ul style="list-style-type: none"> <li>• Master of Science in Electrical Engineering at California State University-Fullerton</li> <li>• Master of Science in Computer Science at Northrop University</li> </ul>	NA

		<ul style="list-style-type: none"> <li>• President of Evergreat Computer Inc.</li> <li>• VP at HonHai Precision Corp.</li> <li>• VP at Celestica Corp. Canada</li> <li>• Chief Operations Officer of Shanghai Unimax Inc.</li> </ul>	
Internal Audit Officer	Tracy Li	<ul style="list-style-type: none"> <li>• LL.M. in Intellectual Property, Franklin Pierce Law Center</li> <li>• LL.B. at the National Taiwan University</li> <li>• Section Manager of Legal and Intellectual Property Rights at the Department of Computer and Communication Research Lab, Industry Technology Research Institute</li> <li>• Attorney at Law/New York Bar</li> </ul>	NA

(3) Remuneration of Directors, Supervisors, Presidents, and Vice President

i. Remuneration of Directors & Independent Directors

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 4)		Relevant Remuneration Received by Directors Who are Also Employees (Note 5)												Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 4)		Compensation Paid to Directors from Parent company and an Invested Company Other than the Company's	
		Base Compensation (A) (Note 1)		Severance Pay (B) (Note 8)		Bonus to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F) (Note 8)		Profit Sharing- Employee Bonus (G) (Note 6)				Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)					
		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)			
Chairman	Barry Lam																										
Vice Chairman & President	C. C. Leung	0	0	0	0	8,000	8,000	976	976	0.06%	0.06%	12,832	12,832	0	0	38,000	0	38,000	0	0	0	0	0	0	0.38%	0.38%	0

Director & EVP	C. T. Huang																										
Director & SVP	Tim Li																										
Independent Director	Dr. Wei-Ta Pan																										
Independent Director	Dr. Pisin Chen	0	0	0	0	6,000	6,000	0	0	0.04%	0.04%	0	0	0	0	0	0	0	0	0	0	0	0	0.04%	0.04%	0	
Independent Director	Hung Ching Lee																										

### Range of Remuneration for Directors

Range of Remuneration	Number of Directors: 7			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-	-	-
NT\$2,000,000 ~ NT\$3,499,999	Dr. Wei-Ta Pan, Dr. Pisin Chen, Hung Ching Lee, Barry Lam, C.C. Leung, C.T. Huang, Tim Li	Dr. Wei-Ta Pan, Dr. Pisin Chen, Hung Ching Lee, Barry Lam, C.C. Leung, C.T. Huang, Tim Li	Dr. Wei-Ta Pan, Dr. Pisin Chen, Hung Ching Lee, Barry Lam	Dr. Wei-Ta Pan, Dr. Pisin Chen, Hung Ching Lee, Barry Lam
NT\$3,500,000 ~ NT\$4,999,999	-	-	C.C. Leung	C.C. Leung
NT\$5,000,000 ~ NT\$9,999,999	-	-	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-	C.T. Huang, Tim Li	C.T. Huang, Tim Li
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-



Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

- Note 1: Refers to the remuneration for Directors in the previous year, including salary, allowances, pension, bonuses, awards, etc.
- Note 2: Refers to the remuneration for Directors to conduct related professional practices, including honorarium, special disbursement, all types of allowances, housing, company car, and other benefits in kind. In addition, salary of two drivers and one bodyguard amounted to ~NT\$4,963,000 is excluded in the remuneration.
- Note 3: “Net income after tax” refers to net income after tax for the parent company in the previous year.
- Note 4: Refers to remuneration for Directors who are also employees of the Company in the previous year which covers salaries, allowances, pensions, bonuses, awards, honorarium, special disbursements, all types of allowances, housing, company car, and other benefits in kind. If the company provides housing, company car and other forms of transportation or spending exclusive to a particular person, the Company shall disclose the nature and the cost of the asset, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. If drivers are provided, please specify salary provided to such drivers. Such pay shall not be included in the remuneration to Directors. In addition, the salary payment adopted under IFRS 2 “Share-based Payment” shall be included in the remuneration for Directors, including employee stock option, restricted stock options, and subscription of cash capital increase.
- Note 5: Refers to employee compensation, including stock and cash, for Directors who are also employees of the Company in the previous year, the company shall disclose the amount of employee compensation approved for distribution by BoD in the previous year.
- Note 6: The Company shall disclose the total amount of all types of remunerations paid to the Directors by all companies included in the consolidated financial statements, including this company.
- Note 7: The actual amount of pension allocated to Directors who are also employees of the Company in FY2019 is zero.
- Note 8a: The amount of remuneration that the President and Vice Presidents received from investees other than subsidiaries or the parent company shall be specified in this column.
- Note 8b: If the President and Vice Presidents have received remuneration from the parent company or investees other than the Company’s subsidiaries, the amount of such remunerations shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed “Parent Company and All Investees”.
- Note 8c: Refers to the remuneration that the President and Vice Presidents received from the parent company or an investee other than the Company’s subsidiary as its Director, supervisor (member of audit committee), or manager. Such remuneration includes compensation, pay (including the pay for an employee, a Director, and a supervisor), and pay for conducting professional practice.
- Note 9: The concept of remuneration disclosed in the above table is different from that of the Income Tax Act. All information disclosed is informative and does not serve for the purpose of taxation.
- Note 10: State the policy, system, standard, and structure of remuneration to independent Directors and the relevance to the amount of remuneration in terms of their duty, risk, and time of involvement: The Company has established the “Procedures to Evaluate the Performance of the Board of Directors and Functional Committee” in 2019. At the end of each fiscal year, evaluation on the board of Directors and functional committees are performed based on assessment indicator outlined in the procedures. The performance evaluation results are referenced when determining the remuneration for each Director and nomination for reelection. The board of Directors is authorized to determine the remuneration for Directors and independent Directors with respect to their involvement with and contribution to the Company’s operations and with reference to the general pay standard in the business at home and abroad.
- Note 11: The Company is not required to disclose individual remuneration paid to individual Directors.

ii. Remuneration of the Audit Committee

Three independent Directors are the ex officio members of the Audit Committee, and their remuneration has been included in remuneration for Directors.

iii. Remuneration of Presidents and Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary(A) (Note 1)		Severance Pay (B) (Note 2)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 5)		Exercisable Employee Stock Options (Note 6)		New Restricted Employee Shares		Compensation paid to the President and Vice President from the Parent Company and an Invested Company Other Than the Company's Subsidiary (Note 8)
		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	
								Cash	Stock	Cash	Stock							
President	C.C. Leung	72,587	72,587	0	0	48,887	48,887	390,000	0	390,000	0	3.21%	3.21%	0	0	0	0	NA
VP (note 9)	C.T. Huang & other 27 VPs																	

### Range of Remuneration for President and Vice Presidents

Range of Remuneration	Number of President and Vice Presidents: 29	
	The Company (note 10)	Companies in the consolidated financial statements (note 11)
Under NT\$ 1,000,000	Vincent Yuan	Vincent Yuan
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	C.C. Leung	C.C. Leung
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	Ted Chang, Frank Chuang, W.L. Sung	Ted Chang, Frank Chuang, W.L. Sung
NT\$10,000,000 ~ NT\$14,999,999	Bruce Wu, Tim Li, Danny Lin, Jimmy Chin, Jonny Hsu, Roger Huang, C.S. Yang, Thomas Tsou, J.J. Wei, Tony Tan, Michael Wu, Robin Chou	Bruce Wu, Tim Li, Danny Lin, Jimmy Chin, Jonny Hsu, Roger Huang, C.S. Yang, Thomas Tsou, J.J. Wei, Tony Tan, Michael Wu, Robin Chou
NT\$15,000,000 ~ NT\$29,999,999	C.T. Huang, Mike Yang, James Jau, Alan Tsai, Brand Chang, J.C. Tzeng, Elton Yang, Alan Chai, Peter Hsieh, Terrisa Chung, Steve Cheng, Michelle Hsieh	C.T. Huang, Mike Yang, James Jau, Alan Tsai, Brand Chang, J.C. Tzeng, Elton Yang, Alan Chai, Peter Hsieh, Terrisa Chung, Steve Cheng, Michelle Hsieh
NT\$30,000,000~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Over NT\$100,000,000	-	-
Total	29	29

Note 1: Refers to remuneration for the President and Vice Presidents in the previous year, including salary, allowances, and pension.

Note 2: The total amount of pension appropriated in the previous year was NT\$5,185,000, and the actual amount of payment is zero.

Note 3: Refers to remuneration for the President and Vice Presidents in the previous year, including all kinds of bonuses, awards, honorarium, all types of allowances, housing, company car, and other benefits in kind. If the company provides housing, company car and other forms of transportation or the spending is exclusive to a particular person, disclose the nature and the cost of the asset, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments.

Note 4: The amount of remuneration for employees, including stocks and cash, approved by BOD for distribution to the President and Vice Presidents in the previous year. As estimates of the actual amount is yet to be determined by the time of report publication, the Company leverages the proposed amount of distribution to calculate the distribution for this year according to the proportion of actual distribution from the previous year.

Note 5: "Net income after tax" refers to net income after tax for the parent company in the previous year.

Note 6: Refers to the number of shares in employee stock options obtained by the President and Vice Presidents by the end of report publication (exclude the part that has been executed).

Note 7a: The amount of remuneration that the President and Vice Presidents received from the parent company or investees other than subsidiaries shall be specified in this column.

Note 7b: If the President and Vice Presidents have received remuneration from the parent company or investees other than the Company's subsidiaries, the amount of such remunerations shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed "Parent Company & All Investees".

- Note 7c: Refers to the remuneration that the President and Vice Presidents received from the parent company or an investee other than the Company's subsidiary as its Director, supervisor (member of audit committee), or manager. Such remuneration includes compensation, pay (including the pay for an employee, a Director, and a supervisor), and pay for conducting professional practice.
- Note 8: The Company shall disclose the total amount of all types of remunerations paid to the President and Vice Presidents by all companies included in the consolidated financial statements, including this company.
- Note 9: A total of 28 VPs include C.T. Huang, Mike Yang, Tim Li, James Jau, Alan Tsai, Jimmy Chin, Brand Chang, J.C. Tzeng, Elton Yang, Alan Chai, Peter Hsieh, Terrisa Chung, W.L. Sung, Bruce Wu, Danny Lin, Jonny Hsu, Roger Huang, C.S. Yang, Thomas Tsou, Steve Cheng, Michelle Hsieh, J.J. Wei, Tony Tan, Ted Chang, Michael Wu, Frank Chuang, Robin Chou, Vincent Yuan.
- Note 10: Disclose the name of the President and Vice Presidents in the respective increment table above based on the total amount of remunerations.
- Note 11: Disclose the name of the President and Vice Presidents in the respective increment tables based on the total amount of remunerations paid to the President and Vice Presidents by all companies included in the consolidated financial statements, including this Company.
- Note 12: The concept of remuneration disclosed in the above table is different from that of the Income Tax Act. All information disclosed is informative and does not serve for the purpose of taxation.
- Note 13: The Company is not required to disclose individual remuneration paid to each of the top five management personnel, including the President, Vice President, CEO or CFO.

#### iv. Management Team Receiving Employee Bonus and Allocation

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value) (Note 2)	Employee Bonus - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
<b>Management Team</b>	President	C.C. Leung	0	390,000	390,000	2.45%
	VPs (note 1)	C.T. Huang & 27 other VPs				

- Note 1: A total of 28 VPs include C.T. Huang, Mike Yang, Tim Li, James Jau, Alan Tsai, Jimmy Chin, Brand Chang, J.C. Tzeng, Elton Yang, Alan Chai, Peter Hsieh, Terrisa Chung, W.L. Sung, Bruce Wu, Danny Lin, Jonny Hsu, Roger Huang, C.S. Yang, Thomas Tsou, Steve Cheng, Michelle Hsieh, J.J. Wei, Tony Tan, Ted Chang, Michael Wu, Frank Chuang, Robin Chou, Vincent Yuan.
- Note 2: The amount of remuneration for employees, including stocks and cash, approved by BoD for distribution to the President and Vice Presidents in the previous year. As estimates of the actual amount is yet to be determined by the time of report publication, the Company leverages the proposed amount of distribution to calculate the distribution for this year according to the proportion of actual distribution from the previous year.
- Note 3: "Net income after tax" refers to net income after tax for the parent company in the previous year.
- Note 4: The concept of remuneration disclosed in the above table is different from that of the Income Tax Act. All information disclosed is informative and does not serve for the purpose of taxation.

- (4) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, president and vice presidents of the Company, to the net income. As well as the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

The ratios of remuneration paid to Directors, president and vice presidents of the Company and the companies in the consolidated financial statements in the last two years, to net income were 3.30% and 3.66% in 2019 and 2018 respectively (stock compensation was calculated based on the closing price on the ending date of the Statement of Financial Position, and no stock bonus were distributed in the last two years).

The compensation policy for Directors is stipulated in the Articles of Incorporation and reference to peers was made as benchmark. The disposition of net earnings has been approved by BoD and AGM prior to disposition, the compensation for Directors and supervisors is highly correlated to business performance.

Compensation for the president, vice president, and officers of equivalent grades is adjusted appropriately in accordance with relevant company regulations, with reference to education, experience, peers standards, achievement rate of long-term and short-term goals, compensation is further adjusted pending on business performance and operational risk.

### 3. Implementation of Corporate Governance

#### (1) Operation of the Board of Director (BoD)

- i. The BoD held nine board meetings in the previous years (A), and the attendance of Directors is tabulated below:

Title	Name	Attendance in Person (B)	Attendances Through Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	Barry Lam	9	0	100.0	-
Vice Chairman	C.C. Leung	9	0	100.0	-
Director	C.T. Huang	9	0	100.0	-
Director	Tim Li	9	0	100.0	-
Independent Director	Dr. Wei-Ta Pan	9	0	100.0	-
Independent Director	Chi-Chih Lu	2	0	100.0	Resigned on June 21, 2019
Independent Director	Dr. Pisin Chen	9	0	100.0	-
Independent Director	Hung Ching Lee	6	0	85.7	Newly Elected on June 21, 2019

#### ii. Additional Disclosure:

- A. The date of the meeting, session, content of the motion, opinion expressed by all independent Directors, and the Company's response to such opinions shall be specified when any one of the following circumstances occur during Board meetings:

- (1) Matters specified in Article 14-3 of the Securities and Exchange Act:

All independent Directors had attended the Board meetings and approved all matters specified in Article 14-3 of the Securities and Exchange Act without objection in FY2019 and as of the date of this report's publication.

- (2) In addition to the above matters, other objections or qualified opinions made by independent Directors that were recorded or with written statements that require resolutions by the Board: NA.

#### B. Execution of Directors' avoidance of motions in conflict of interests:

The Company has established "Rules and Procedures for the Board of Directors Meeting" as a guideline for BoD operation to enforce corporate governance, to optimize organizational supervision, and to strengthen organizational management. In the event that a proposal involves conflict of interests of a Director and such proposal may harm the organization's interests, the related Director will follow the principle of Directors' avoidance of motions in conflict of interests to protect the interests of the Company and its shareholders.

Execution of avoidance of motions in conflict of interests is summarized as follows:

Meeting Dates	Resolutions
2019.03.28	<ul style="list-style-type: none"> <li>• Donation to the Chinese National Association of Industry and Commerce (CNAIC).</li> <li>• To donate NT\$300,000 to support the operation of CNAIC.</li> </ul>

Meeting Dates	Resolutions
	<p>With respect to paragraph 2, Article 206 of the Company Act, the related party, Mr. Barry Lam, also serves as the Director of the CNAIC. Thus, Chairperson, Mr. Lam stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act to avoid conflict of interests.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p> <ul style="list-style-type: none"> <li>• Donation to the SINOCON Industrial Standards Foundation (SINOCON).</li> <li>• To donate NT\$200,000 to support the operation of SINOCON. The SINOCON foundation aims to “promote the establishment of common standards across the strait with the combined efforts of industry, the government, academia, and research in order to strengthen cross-strait exchanges and cooperation of industrial standards.”</li> </ul> <p>With respect to paragraph 2, Article 206 of the Company Act, the related party, Mr. Barry Lam, also serves as a managing Director of the SINOCON. Thus, Chairperson, Mr. Lam, stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act to avoid conflict of interests.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p> <ul style="list-style-type: none"> <li>• Donated ten notebook computers to Quanta Arts Foundation (QAF) for administrative work, the total donation amount is estimated at NT\$200,000 based on the residual value.</li> </ul> <p>With respect to paragraph 2, Article 206 of the Company Act, the related party, Mr. Barry Lam, also serves as the Chairperson of QAF. Thus, Chairperson, Mr. Lam, stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act to avoid conflict of interests.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p> <ul style="list-style-type: none"> <li>• Donated eight notebook computers to Quanta Culture &amp; Education Foundation for administrative work, the total donation amount is estimated at NT\$180,000 based on the residual value.</li> </ul> <p>With respect to paragraph 2, Article 206 of the Company Act, the related party, Mr. Barry Lam, also serves as the Chairperson of the Foundation. Thus, Chairperson, Mr. Lam, stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act to avoid conflict of interests.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p>
2019.05.14	<ul style="list-style-type: none"> <li>• Resolved to remove non-competition clauses on newly elected board members.</li> </ul> <p>With respect to Article 209, paragraph 1, of the Company Act, a Director who does anything for himself or on behalf of another person that is within the scope of the Company’s business, shall explain the essential contents of such an act to shareholders’ meeting and obtain its approval.”</p>

Meeting Dates	Resolutions
	<p>Given the current term of nominated Director candidates may invest in or operate companies with the scope of business identical or similar to that of the Company or concurrently serving as the Director of such company, in consideration of the operation and investment needs, the Board of Directors proposed to remove the non-competition clauses on newly elected board of Directors at the upcoming shareholders' meeting.</p> <p>With respect to Article 206 of the Company Act, related parties, Mr. Barry Lam, Mr. C.C. Leung, Mr. C.T. Huang, and Mr. Tim Li, stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act.</p> <p>Aside from above stated four Directors, Mr. Barry Lam, Mr. C.C. Leung, Mr. C.T. Huang, and Mr. Tim Li, all Directors attending the meeting approved the proposal unanimously.</p> <ul style="list-style-type: none"> <li>Establishment of Quanta AI Medical Foundation (temporarily named) with donation of NT\$30 million and annual sponsorship for operation not to exceed NT\$50 million, funds may be used in different stage of operation.</li> </ul> <p>With respect to paragraph 2, Article 206 of the Company Act, the related party, Mr. Barry Lam, may also serves as the Chairperson of the Foundation. Thus, Chairperson, Mr. Lam, stepped aside from the discussion and voting of the proposal to comply with governance stated in paragraph 3, Article 206 of the Company Act to avoid conflict of interests.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p>
2019.07.12	<ul style="list-style-type: none"> <li>Nomination of the fourth Remuneration Committee Members.</li> </ul> <p>Implemented in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock Is Listed on the Taiwan Stock Exchange or the Taipei Exchange" and the "Remuneration Committee Charter" for the Company.</p> <p>Three remuneration committee members are re-appointed in response to tenure for the newly elected board of Director members. The tenure for the Remuneration Committee will begin from the date of board approval until June 20, 2022, the same tenure as the current board of Directors. The 4th Remuneration Committee members are Dr. Wei-Ta Pan, Samuel Lee, and Hung Ching Lee.</p> <p>Aside from the two Directors, Dr. Wei-Ta Pan and Hung Ching Lee, all Directors attending the meeting approved the proposal unanimously.</p>
2019.08.13	<ul style="list-style-type: none"> <li>Proposal of FY2018 employee remuneration to management team.</li> </ul> <p>This proposal has been reported to AGM, and the Remuneration Committee has approved the details of remuneration for management team.</p> <p>With respect to the Company Act, related parties, Mr. C.C. Leung, Mr. C.T. Huang, and Mr. Tim Li, also serve as the Company's management personnel and receive employee compensation, thus the three Directors stepped aside from the discussion and voting of the proposal to comply with governance.</p>



Meeting Dates	Resolutions
	Aside from above stated three Directors, Mr. C.C. Leung, Mr. C.T. Huang, and Mr. Tim Li, all Directors attending the meeting approved the proposal unanimously.
2019.12.19	<ul style="list-style-type: none"> <li>To provide NT\$30 million to Quanta Arts Foundation (QAF) as operation funding, funds may be used in different stage of operation.</li> </ul> <p>With respect to the Company Act, the related party, Mr. Barry Lam, also serves as the Chairperson of QAF. Thus, Chairperson, Mr. Lam, stepped aside from the discussion and voting of the proposal to comply with governance.</p> <p>Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.</p> <ul style="list-style-type: none"> <li>Proposal of FY2019 remuneration to management team.</li> </ul> <p>The Remuneration Committee has approved the details of remuneration to management team. With respect to the Company Act, related parties, Mr. C.C. Leung, Mr. C.T. Huang and Mr. Tim Li stepped aside from the discussion and voting of the proposal to comply with governance.</p> <p>Aside from above stated three Directors, Mr. C.C. Leung, Mr. C.T. Huang and Mr. Tim Li, all Directors attending the meeting approved the proposal unanimously.</p>

C. Evaluation of the Board of Directors:

The Company has established the “Procedures to Evaluate the Performance of the Board of Directors and Functional Committee” in 2019. At the end of each fiscal year, the Company would evaluate performance of the board and the committee for the year based on evaluation indicators. The evaluation is completed before the end of the first quarter of the following year to ensure the operation of the Board of Directors is in compliance with relevant law and regulations.

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method of Evaluation	Evaluation Contents
Once a year	January 1–December 31, 2019	<ul style="list-style-type: none"> <li>Board of Directors</li> <li>Individual board members</li> <li>Functional committees</li> </ul>	<ul style="list-style-type: none"> <li>Self-assessment of the Board</li> <li>Self-assessment of the Board members</li> <li>Self-assessment of the Audit Committee</li> <li>Self-assessment of the Remuneration Committee</li> </ul>	(Note)

Note: The evaluation contents are conducted in accordance with Article 7 of the “Evaluation indicators and scoring criteria” of the “Procedures to Evaluate the Performance of the Board of Directors and Functional Committee.”

The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the Board of Directors and functional committee, which should cover, at a minimum, the following five aspects:

1. Participation in the operation of the Company;
2. Improvement of the quality of the Board of Directors and functional committee decision making;

3. Composition and structure of the Board of Directors and functional committee;
4. Election and continuing education of the Directors and functional committee; and
5. Internal control

The criteria for evaluating the performance of the board members, should cover, at a minimum, the following six aspects:

1. Alignment of the goals and missions of the Company;
2. Awareness of the duties;
3. Participation in the operation of the Company;
4. Management of internal relationship and communication;
5. The Director's professionalism and continuing education; and
6. Internal control

The indicators of Board and committee performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the Company, subject to regular reviews and constructive comments of the Remuneration Committee.

Scoring criteria may be modified and adjusted based on the Company's needs. The weighted scoring method may be adopted based on the aspects of evaluation.

D. Evaluation of BoD competency and execution in the present and previous years:

The Company has established of the “Rules and Procedure for the Board of Directors Meeting”, thus implementation and operation of Board meetings all comply with the rules, related laws and regulations. In addition, resolutions of material matters are disclosed on the Market Observation Post System (MOPS) and the corporate website. The chief internal auditor also sits in Board meetings to report the status of internal control implementation and audit reports are also provided as reference.

As one of the two major units of Quanta’s governance framework, the Company’s Board consists of five to nine Directors in accordance with the Articles of Incorporation. The Company adopts candidate’s nomination system, where shareholders elect among the nominees listed in the roster of candidates. The total number of shares (stake) held by all Directors is subject to regulations of the securities supervisory authorities. The current Board consists of seven Directors, including three independent Directors. An Audit Committee is also established with three independent Directors as the ex officio members to exercise the powers of supervisors.

In addition, the Remuneration Committee is formed by two independent Directors and one senior executive officer to assess and review overall salary and compensation policy of the Company. The Committee periodically reviews the compensation policy, system, standards, and structure for Directors and management team.

(2) Operation of the Audit Committee

- i. The Audit Committee held six committee meetings in the previous years (A), and the attendance of the committee members is tabulated below:

Title	Name	Attendance in Person (B)	Attendance Through Proxy	Attendance Rate (B/A) (%)	Remarks
Chairman	Dr. Wei-Ta Pan	6	0	100.0	Re-appointed on 2019/06/21
Committee Member	Chi-Chih Lu	2	0	100.0	Resigned on 2019/06/21
Committee Member	Dr. Pisin Chen	6	0	100.0	Re-appointed on 2019/06/21
Committee Member	Hung Ching Lee	4	0	100.0	Newly appointed on 2019/06/21

On March 31, 2016, the Board approved the “Audit Committee Charter” as a reference to establish the Audit Committee to supervise the fair expression of the Company’s financial statements, the selection or dismissal of certified public accountants (CPAs) and assessment of their independence and performance, effective implementation of the internal control, and legal compliance of the Company, as well as to control the inherent and potential risks.

The 1<sup>st</sup> Audit Committee was established on June 24, 2016 to replace the duties and functions of Supervisors. The Audit Committee consists of three independent Directors as the ex officio members and Dr. Wei-Ta Pan was elected to convene the Committee and served as the Chair of Committee meetings.

The 2<sup>nd</sup> Audit Committee was re-elected to accompany the newly elected BoD on June 21, 2019 with three independent Directors elected as the Audit Committee members, including Dr. Wei-Ta Pan, Dr. Pisin Chen and Mr. Hung Ching Lee. While, Dr. Wei-Ta Pan was elected to convene the Committee and served as the Chair of Committee meetings. The tenure is for three years from July 12, 2019 to June 20, 2022, the same termination date as the end of the BoD term.

ii. Additional Disclosure:

- A. The date of the meeting, session, content of the motion, expressed by all independent Directors, and the Company’s response to such opinions shall be specified when the operation of Audit Committee is under any one of the following circumstances:

- (1) Matters specified in Article 14-3 of the Securities and Exchange Act:  
All independent Directors had attended the committee meetings and approved all matters specified in Article 14-3 of the Securities and Exchange Act without objection in FY2019 and as of the date of this report's publication.
- (2) Matters other than above stated which were not approved by the Audit Committee but resolved by over two thirds of all Directors: NA.

- B. Execution of independent Directors' avoidance of motions in conflict of interests:  
No avoidance of motions in conflict of interests was reported in FY2019.
- C. Communication between the Audit Committee, Independent Directors, the Chief Internal Auditor and accountants:
- (1) After submitting the audit report and follow-up report, the chief internal auditor hands over audit items for review to all independent Directors before the end of following month. Should independent Directors be interested in further understanding of the status of the audit and follow-up results, they could contact the chief internal auditor at any time. The chief internal auditor would sit in board meetings to report the audit findings and to answer questions raised by Directors.
  - (2) In FY2019, the chief internal auditor had separate interviews with each independent Director on April 1, July 19, September 25, and November 20 respectively, totaling four interviews. At the interviews, the chief internal auditor reported the audit progress and details regarding audit implementation. During one of the interviews, an independent Director indicated that areas require improvement should be followed up continuously to ensure quality outcome. No significant anomalies or violations, nor matters to be reported to independent Directors immediately were found in the FY2019 annual audit. Summaries of interviews are as follows:

Items	Description	Names of independent Directors interviewed, time of interview and suggestions offered			
		Chi-Chih Lu	Dr. Wei-Ta Pan	Dr. Pisin Chen	Hung Ching Lee
		2019/04/01	2019/07/19	2019/09/25	2019/11/20
Description of the audit plan	The FY2019 audit plan for the Company's headquarters in Taiwan and manufacturing sites in China was submitted to the independent Directors for review and suggestion on additional audit items.	NA	NA	NA	NA
Description of work performed	An account on audit items covered, methodology and progress achieved by the audit team prior to the interview.	NA	NA	NA	NA
Description of audit progress	1. As of the end of this interview, areas of improvement have been found during the FY2019 audit, the audit team has proposed suggestions for rectification and requested relevant departments to act accordingly; no major flaws have been identified. 2. The audit report has been submitted to the independent Directors for review.	NA	NA	NA	Areas of improvement have been identified and should be followed-up to ensure quality outcome.

Other discussion items	1.Is there any suggestion or items that require further attention in auditing? 2.Is there any recommendations or corrections to be made?	NA	NA	NA	NA
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iii. Highlights of work performed by the Audit Committee for the year:

A. The operations of the Audit Committee revolve around the supervision and monitoring of the following items and these are the highlights of the work performed by the Committee for the year:

- Fair presentation of the Company's financial statements
- The selection (and dismissal), independence and performance of certified public accountants for the Company
- Effectiveness of implementation of the Company's internal control system
- Compliance with relevant laws and regulations of the Company
- Management of existing or potential risks of the Company

B. Work summary: Apart from reviewing the annual business report, financial statements, proposal for the allocation of distributable earnings and issuance of audit review reports, the Committee is also responsible for reviewing the Company's financial statements and communicating with the CPA and auditors when necessary in order to understand the auditing process, accounting policies and procedures. In addition, the Committee also participates and reviews relevant tasks of significance.

C. Important resolutions made by the Audit Committee meeting:

Date	Term	Section	Resolution Summary	Opinion of Independent Directors and Company's Response
2019.03.28	1	11	<ul style="list-style-type: none"> <li>◆ Approved FY2018 financial statements.</li> <li>◆ Approved CPA audit report of FY2018 financial statements.</li> <li>◆ Approved business report of the year.</li> <li>◆ Approved the effectiveness evaluation and statement of internal control.</li> <li>◆ Approved allocation of FY2018 distributable earnings.</li> <li>◆ Approved Audit Committee's review report.</li> <li>◆ Approved amendments on various regulations.</li> </ul>	Approved by all independent Directors unanimously.
2019.05.14		12	<ul style="list-style-type: none"> <li>◆ Approved FY2019 Q1 financial statements.</li> <li>◆ Approved CPA audit report of FY2019 Q1 financial statements.</li> <li>◆ Approved new appointment of internal audit officer</li> <li>◆ Approved the establishment of "A Standard Operational Protocol for Responding to Requests from Directors"</li> </ul>	Approved by all independent Directors unanimously.
2019.08.13	2	1	<ul style="list-style-type: none"> <li>◆ Approved FY2019 H1 financial statements.</li> <li>◆ Approved CPA audit report of FY2019 H1 financial statements.</li> <li>◆ Approved amendments on "Corporate Governance Best Practice Principles"</li> </ul>	Approved by all independent Directors unanimously.
2019.10.04		2	<ul style="list-style-type: none"> <li>◆ Approved the establishment of subsidiary in Thailand</li> </ul>	Approved by all independent Directors unanimously.

Date	Term	Section	Resolution Summary	Opinion of Independent Directors and Company's Response
			<ul style="list-style-type: none"> <li>◆ Approved capital increase subscription on existing indirect investment company in mainland China</li> <li>◆ Approved to contract out the construction project for the "Third Production Plant" in Taiwan</li> <li>◆ Approved amendments on Level of Authorization</li> </ul>	
2019.10.31		3	◆ Approved intercompany loan transactions	Approved by all independent Directors unanimously.
2019.11.13		4	<ul style="list-style-type: none"> <li>◆ Approved FY2019 Q3 financial statements.</li> <li>◆ Approved CPA audit report of FY2019 Q3 financial statements.</li> </ul>	Approved by all independent Directors unanimously.

(3) Corporate Governance Implementation Status and Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” (Governance Best Practice)

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from “Governance Best Practice”
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best Practice Principles based on “Governance Best Practice”?	✓		Corporate Governance Best Practice Principles was approved by The Board of Directors and disclosed on the Corporate website and the Market Observation Post System.	No Significant differences
2. Shareholding structure and shareholder's rights: (1) Does the company establish internal procedures for handling shareholders' suggestions, questions, disputes and litigation, and implementation based on the procedure?	✓		The Company has established spokesperson and deputy spokesperson system, as well as the stock affair personnel to handle shareholders' suggestions and disputes. Content of our Corporate website is available both in Chinese and English for investors to make enquiries and leave messages. Legal related enquiries are directed to the Legal Affairs Department.	No Significant differences
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company's stock affair operation is processed in accordance with the “Regulations Governing the Administration of Shareholder Services of Public Companies,” we have also contracted external institutions to implement stock affair services and timely keep track of relevant information. Good relationships and unimpeded communication with major shareholders is constantly maintained and changes in shareholding status of Directors, management teams, and major shareholders holding more than	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
(3) Does the company establish and implement a risk control mechanism and firewall between its affiliates?	✓		<p>10% of the company's shares are timely tracked.</p> <p>The Company and its affiliates operate independently, each has established its own internal control systems and regulations. Moreover, the Company and its affiliates each has developed its own level of authorization based on business needs and implements it accordingly.</p> <p>The Company dependably implements audit functions of the internal audit department in order to increase its independence and interaction with the Audit Committee. The Company also follows relevant regulations to ensure legal compliance, and to implement the CPA rotation system as promoted by the government to enhance the independence of CPA. The above efforts would not only prevent corruption, but also helps the Company to remain profitable.</p>	
(4) Does the company establish internal rules against insider trading with undisclosed information?	✓		<p>The Company has established "Internal Material Information Processing Procedure" and the "Insider Trading Prevention Operating Procedures" and keeping track of shareholding status of related parties and insiders (Directors, management teams, and shareholders holding more than 10% of the company's shares) in accordance with the Securities and Exchange Act. Relevant information is disclosed monthly on the website designated by the authority — Market Observation Post System.</p> <p>In addition, designated personnel would send emails to all insiders in the beginning of every month as reminders to report changes in shareholding status on a periodic basis, summaries of important regulations and attachments of relevant documentations are also</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
			enclosed in emails for reference. When there is a newly appointed insider, a designated personnel is assigned to provide necessary education and training and designated department is also established to provide necessary counseling services.	
3. Composition and responsibilities of the Board of Directors: (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		<p>The Company has established the "Rules and Procedures for the Board of Directors Meeting." Functions and operations of the Board of Directors are governed by these Rules and Procedures and related laws and regulations. Furthermore, the Company has specified required competencies for the Board of Directors in Chapter 3 "Directors Competency Enhancement" of the "Corporate Governance Best Practice Principles," as a reference for Board member diversification.</p> <p>Members of the Board of Directors are nominated and elected through "Candidate Nomination System" as specified in the Articles of Incorporation. Apart from assessing the education and experience of candidates, the Company also references to the opinions of stakeholders and abide by the "Rules and Procedures for Election of Directors" and the "Corporate Governance Best Practice Principles" to ensure the diversity and independence of Directors.</p> <p>In accordance with Item 3 Article 20 of the Company's "Corporate Governance Best Practice Principles," members of the Board of Directors shall be equipped with professional knowledge, skills, and competencies necessary to carry out their duties and responsibilities. The composition of the Board of Directors shall be equipped with the following competencies in order to achieve Corporate Governance:</p>	No Significant differences



Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
			<ol style="list-style-type: none"> <li>1. Operational judgement capabilities</li> <li>2. Accounting and financial analysis capabilities</li> <li>3. Operational management capabilities</li> <li>4. Crisis management capabilities</li> <li>5. Industry specific knowledge</li> <li>6. View of global market</li> <li>7. Leadership capabilities</li> <li>8. Strategic business making capabilities</li> </ol> <p>In accordance with Item 2 Article 20 of the Company's "Corporate Governance Best Practice Principles," the diversity principle of the composition of Board of Directors shall include, but not limited to the following two general standards:</p> <ol style="list-style-type: none"> <li>1. Basic requirement and value: gender, age, nationality, and culture.</li> <li>2. Professional knowledge and competencies: industry specific knowledge (e.g., legal affair, accounting, industry, finance, marketing or technology), professional skills and industry specific experiences.</li> </ol> <p>The current nomination of the Board of Directors has seven seats and all of them are male citizens of the Republic of China including three seats for independent Directors. Directors nominated are equipped with different expertise, professional background, industry knowledge, skills, and competencies required by their duties to optimize the structure of the Company's Board of Directors.</p> <p>Of the four Directors who are also executives of the Company, Mr. Barry Lam is well equipped with forward-looking ambition with unique vision and strong marketing capabilities. Mr. C.C. Leung is specialized in operational</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
			<p>judgement and operational management. While Mr. C.T. Huang is specialized in leadership and factory management and Mr. Tim Li is well equipped with professional background in finance and accounting. All four Directors have extensive industry-specific knowledge and view of global market, as well as risk management capabilities.</p> <p>Each of the three independent Directors has his own expertise: Dr. Wei-Ta Pan is specialized in legal affairs and is familiar with social welfare; Dr. Pisin Chen is a physicist, familiar with industry-specific knowledge and equipped with an international market view; and Mr. Hung Ching Lee is equipped with professional knowledge in accounting and is a licensed senior securities specialist. Mr. Lee was an underwriting committee member of the Taiwan Securities Association, senior manager at the TWSE and securities firms. Mr. Lee has extensive knowledge in finance and securities related regulations. Thus, members of the Board of Directors are able to provide professional advices and constructive suggestions on the Company's major operational matters.</p> <p>Within the Board of Directors, the percentage of Directors and independent Directors who are also employees of the company is both 43%, employment of each independent Director is less than 3 years, three to six years, and over nine years. Three Directors are over age 70 and two are between age 60 and 69, while two are under age 60. None of the Directors are within the second degree of kinship. Board member diversification policy is disclosed on the Corporate website.</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		<p>The Remuneration Committee is made of two independent Directors and one designated member, who are responsible for assessing, reviewing, and establishing the Company's overall remuneration policy. In addition, the Committee reviews the performance assessment and the remuneration policy, system, standard, and structure of Directors and management teams periodically (at least twice every year).</p> <p>In addition to the Remuneration Committee, the Company has also established Audit Committee in June 2016, with three independent Directors as the ex officio committee members.</p> <p>Furthermore, Quanta's CSR Committee is established and responsible for organizing the operation of the Company's CSR system and the preparation of the CSR report.</p>	
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual Directors and nominations for reelection?	✓		<p>The Company has established the "Procedures to Evaluate the Performance of the Board of Directors and Functional Committee" in 2019. At the end of each fiscal year, evaluation on the board of Directors and functional committees are performed based on assessment indicator outlined in the procedures. The evaluation is completed before the end of the first quarter of the following year and the performance evaluation results are submitted to the Board of Directors and referenced when determining the remuneration of individual Directors and nominations for reelection.</p> <p>The 2019 performance evaluation was completed in Q1 2020, and the performance evaluation results were submitted to the Board of Directors by the end of March,</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>2020.</p> <p>The audit team has also included the performance evaluation procedures as part of the audit items to ensure the operation of the Board of Directors is in compliance with relevant law and regulations.</p> <p>The Company has selected accounting firms and accountants with high credit rating and neither is a related party nor an interested party of the Company, therefore we deem no issue with their independence.</p> <p>The Board of Directors regularly (at least once a year) or pending on individual projects needs to assess the independence, suitability, and quality of audit service of our certified public accountants and related audit personnel. We also request CPAs and CPA firms to provide related information and a statement of impartiality and independency to state the scale, reputation, the length of consecutive service provision, the nature and degree of non-audit services provided, audit and certification fees, peer evaluation, any engagement in litigious activities or requests for corrections from competent authorities, or cases under investigation, audit service quality, provision of continuing education, and interaction with management team and internal audit officers. These statements are submitted to the Board of Directors for assessment to ensure legal compliance, to cooperate with government rules and related laws and regulations. The Company also requests the CPA firm to implement the CPA rotation system in compliance with government regulations and to maintain the independence of CPAs.</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
			The assessment results for the past two years were resolved at the Board meetings on December 21, 2018 and December 19, 2019 respectively.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for Directors and supervisors to perform their functions, assisting Directors and supervisors with compliance, handling work related to meetings of the board of Directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>With respect to the resolution made by the Audit Committee and the Board of Directors, the Company has established the "A Standard Operational Protocol for Responding to Requests from Directors" in accordance with the "Operation Directions for Compliance with the Establishment of the Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" on May 15, 2019 and appointed Ms. Tracy Li, Assistant VP of the Legal Department, as the new internal audit officer. Key responsibilities of the newly appointed internal audit officer include provision of information required for the Directors to perform their duties; assistance in the Directors' compliance of law; handling of matters relating to the Board of Directors meetings and shareholders' meetings in compliance with law; assurance of the operations of shareholders' meetings and Board of Directors meetings in compile with relevant laws and corporate governance.</p> <p>Besides, the Company has established CSR Committee in charge of implementing the operation of CSR system, corporate governance, and stakeholder engagement. There are four sub-committees under the CSR Committee, including the Corporate Government and Ethics Committee, Environmental Protection Committee, Green Product Committee, and Social Participation Committee. The human resources department and CSR team are in</p>	No Significant differences

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
			charge of the operation of CSR system and compilation of CSR report.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>The Company has set up the "Stakeholder Engagement" section on our Corporate website in order to communicate with stakeholders and to address frequently asked questions raised by stakeholders on various CSR issues that concern them.</p> <p>In order to deliver information transparency and respond to the diverse needs of all interested parties. The Company leverages all communication channels and means to fulfill our responsibilities and to maintain close contact and open communication with all of our stakeholders. The communication results with stakeholders are referenced as preventive and corrective actions in business operation.</p> <p>For details regarding the stakeholder communication channels, please visit our corporate website and the "Stakeholder Identification, Communication, and Responsibility" section of our 2018 CSR Report.  <a href="https://www.quantatw.com/Quant/chinese/about/CSR2018/article_2.asp">https://www.quantatw.com/Quant/chinese/about/CSR2018/article_2.asp</a></p>	No Significant differences
6. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	✓		The Company has appointed professional shareholder service agency to handle shareholder affairs since the Company was listed for public offering.	No Significant differences
7. Information disclosure: (1) Does the company have a website to disclose both financial standings and the status of corporate governance?	✓		The Company has established Corporate website available both in Chinese and English ( <a href="http://www.quantatw.com">http://www.quantatw.com</a> ) The "Investor Relations" section of the Corporate website discloses all major announcements, financial data and corporate governance.	No Significant differences

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated personnel to handle information collection and disclose, creating a spokesperson system, and webcasting investor conferences)?	✓		<p>Content of the "Investor Relations" section is regularly updated. For details, please refer to: <a href="http://www.quantatw.com">http://www.quantatw.com</a></p> <p>Aside from setting up the Corporate website, the Company has also established various channels to communicate with investors:</p> <ul style="list-style-type: none"> <li>• Designated personnel in charge of collecting and disclosing material information, as well as Corporate website management. Designated personnel from other supporting departments, including the Finance Department, Accounting Department, and Management Information System Department are also responsible for collecting and providing relevant information.</li> <li>• Spokesperson system is also well established.</li> <li>• Investor conferences: the Company regularly hosts investor conferences and relevant information is timely disclosed on the Corporate website and the Market Observation Post System for public access.</li> </ul>	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		The Company has affiliates across Asia, America, and Europe. Financial statements are published according to the schedule specified by competent authorities without any plan for advance announcement.	
8. Is there any other material information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, training records for Directors and supervisors, the implementation of risk management policies and risk evaluation measures,	✓		<p>The Company's corporate governance practices are detailed in the "Corporate Governance and Ethics" section of our CSR report that the Company publishes every year.</p> <p>The CSR report is verified by a third-party certification authority. The Company regularly and periodically</p>	No Significant differences

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from "Governance Best Practice"
	Yes	No	Abstract Illustration	
the implementation of the customer relations policies, and purchasing insurance for Directors and supervisors)?			host internal meetings to discuss with senior executives on the evaluation results, major improvements, and recommendations. The CSR report is also reported to the Board of Directors. Please refer to note below for details.	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>The Company was ranked top 6% to 20% enterprises in Taiwan during the second to the fifth (2015-2018) "Corporate Governance Evaluation."</p> <p>Apart from establishing the "Corporate Governance Best Practice Principles," the Company has assigned designated team to keep track on the assessment indicators and to make recommendations for implementation and improvement to the decision-making unit.</p> <p>Directors (including independent Directors) are encouraged to take training courses on corporate governance.</p>				

Item 8. Supplementary notes that helps to understand the operation of corporate governance:

1. Employees Rights and Employee Care:

We believe that employees are our most important assets for the Company. Greater future can only be achieved when employees are fully devoted and are willing to trust the Company.

Therefore, we are fully devoted into creating a work environment that emphasizes on labor-management relationship with hopes to proactively retain talents and to build an employer brand internally. By maintaining a good labor-management relationship, we can attract outstanding talents to join Quanta family, and job vacancies are also posted on internal recruitment system for employees who are interested in job rotation.

We highly value the rights and interests of our employees, we therefore periodically update the Company's organizational regulations in line with the amendments to labor laws and regulations. The updated organizational regulations are also disclosed in internal system for all employees to understand and comply. For overseas subsidiaries, local labor laws and regulations are strictly followed to ensure all employment terms and conditions comply with local laws and regulations. In sites without labor unions, we periodically hold the labor-management meetings quarterly and have established various communication channels, including the suggestion box, grievance hotline, and complaint email boxes. Employees are encouraged to communicate with the management through these channels. Subsidiaries in Shanghai and Changshu have their own labor unions. QSMC has signed a collective agreement, wage collective bargaining agreement, and female employee collective agreement with the labor union on April 25, 2019 in order to protect the rights of labor and management. CSMC has signed the CSMC collective agreement with the labor union for the first time on July 1, 2016 to set a milestone for the management of labor-management affairs. Contents of the collective agreement are comprehensive and the terms and concepts are in compliance with the laws and regulations by the time of agreement execution. CSMC then signed the CSMC collective agreement with the labor union for the second time on July 1, 2018 to protect the rights and interests of both parties, enhance work efficiency, and establish labor-management harmony. In addition, the protection of occupational health and safety is specified in writing in the second agreement.

Aside from job related care programs, the Company also provides employees with additional services and programs including:



- Food and beverage services: employee cafeteria is available to provide employees with nutritional, tasty, and healthy diet choices.
  - Recreational facilities: we offer on-site gym, gymnasium, karaoke rooms, and reading rooms for employees to have a balanced work life and the facility is also provided for club activities.
  - Recreational activities and entertainments: for better balance of work and health, the Company periodically organizes family activities, talks on health care and lifestyle, sports competition, music and art performances.
2. Employee Code of Conduct and Ethics
- “Work Procedures” is well established, specific regulations on employee code of conduct or ethics are clearly defined under the “service procedures” section, summaries are as follows:
- Employees of Quanta Computer shall devote and dedicate to their jobs. Obey all rules and regulations set out by Quanta Computer and follow leadership of the management team of all levels. Management team of all levels shall genuinely provide leadership and role model examples for employees and sincerely accept their constructive suggestions on job improvement.
  - Under no circumstances shall employees of Quanta Computer seek interests of their own or others by exploiting their job positions, nor shall they accept rebates, improper offerings, entertainments, or other forms of undue advantages.
3. Investor Relations
- The Company has established spokesperson and investor relations department to serve as the coordinator between the Company and investors. The investor relations department routinely engages in face-to-face meetings or conference calls with local and foreign investors as well as research analysts to actively address investors’ concerns and interests in the Company. Through active communication with the investment community, the investor relations department assists the community to gain better understanding of the Company’s visions and strategic directions of the management team. Furthermore, the management team holds quarterly press conferences, investor conferences, or conference calls to announce and present financial performance of the Company to the media and worldwide investors at the same time.
- In addition, senior executive officers participate in large investor forums and roadshows periodically to meet with global investors. Quanta Computer endeavors to keep investors up to date with accurate, real-time, and transparent business operation and financial information of the Company. All relevant documents and information are timely uploaded to our Corporate website in accordance with regulations governed by competent authorities. Aside from setting up a designated email account to communicate with investors, we also proactively and timely deliver information regarding major business activities and important matters to the investment community via email and such information is also timely disclosed on MOPS (<http://mops.twse.com.tw/mops/web/index>) and the Corporate website (<http://www.quantatw.com>). When matters are critical and urgent, the Company would determine the importance of the matter to host press conferences or distribute press releases to comprehensively and intravenously update the investment community.
4. Status of Liability Insurance Coverage for Directors
- Liability insurance coverage were purchased for Directors during their terms and management team based on their scope of business to reduce and disperse the risk of significant damage caused to the Company and shareholders resulting from management mistakes or negligence. Renewal of insurance policy for Directors and key personnel is reported to the latest Board meeting.
5. Continuing Education of Directors
- The Company’s Directors all have professional background and most of them remain active in their fields. Directors of the Company also participate in continuing education programs and acquire relevant certificates to comply with the “Directions for The Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies”.

<b>Independent Director: Dr. Wei-Ta Pan</b>		
<b>Date</b>	<b>Organizer</b>	<b>Course</b>
2019/03/15	Taiwan Corporate Governance Association	Key Information From Annual Reports and Analysis of Responsibilities – From the Perspective of Directors and Supervisors (3 hours)
2019/03/08	Taiwan Corporate Governance Association	Directors' Responsibility and Risk Management Under The Latest Corporate Governance Blueprint (3 hours)
2018/04/18	Taiwan Securities Association	Enhancing Operational Performance with Big Data Analysis for Enterprises (3 hours)
2018/03/22	Chinese National Association of Industry and Commerce, Taiwan	Case Study on Major Economic Crime and Related Legal Liabilities (3 hours)
2017/07/07	Taiwan Corporate Governance Association	Optimizing Corruption Detection and Prevention for Better Governance (3 hours)
2017/03/11	Taiwan Corporate Governance Association	Major Reform in Audit Reports: Key Audit Items and Responses the BoD Should Know (3 hours)

<b>Independent Director: Dr. Pisin Chen</b>		
<b>Date</b>	<b>Organizer</b>	<b>Course</b>
2019/10/25	Taiwan Insurance Institute	"Keynote for Directors and Supervisors, including Independent Directors, and Internal Audit Officers (The 13 <sup>th</sup> Session, 2019): Insurance for Information Security and Corporate Governance: From the Perspective of Sustainability in Financial Industry" (3 hours)
2019/05/07	TWSE	Forum on Promoting "Task Force on Climate-Related Financial Disclosures (TCFD)" (3 hours)
2018/12/19	Securities and Futures Institute	Interpreting Financial Statements for Directors and Supervisors (3 hours)
2018/10/26	Securities and Futures Institute	2018 Insider Trading Prevention Seminar (3 hours)
2017/09/28	TWSE, Mr. and Mrs. Sheu Yuan-Dong Culture and Education Foundation, Bloomberg	Sheu Yuan-Dong Memorial Financial Forum (6 hours)

<b>Independent Director: Hung Ching Lee</b>		
<b>Date</b>	<b>Organizer</b>	<b>Course</b>
2019/10/22	Taiwan Corporate Governance Association	Responsibilities of Directors and Supervisors in Corporate Mergers and Acquisitions (3 hours)
2019/09/27	Taiwan Corporate Governance Association	Introduction to Legal Accountability on Commercial Contracts for Corporate Mergers and Acquisitions (3 hours)
2019/12/02	Taiwan Corporate Governance Association	Investigating Important Issues in Insider Trading and Market Manipulation through the OBI Pharma Case (3 hours)
2019/12/16	Taiwan Corporate Governance Association	AML and CFT: A Focus of Anti-Money Laundering and Countering of Financing Terrorism (3 hours)

6. Management team and related personnel participating in continuing education and training in corporate governance-related courses:

<b>SVP &amp; CFO: Elton Yang</b>		
<b>Date</b>	<b>Organizer</b>	<b>Course</b>
2019/07/25-2019/07/26	Accounting Research and Development Foundation	Continuing Education Courses for Chief Accounting Officers of Issuers, Securities Companies, and Stock Exchanges (12 hours) <ul style="list-style-type: none"> <li>• Analysis of The Latest IFRS Q&amp;A</li> <li>• Legal Responsibilities and Practice of "Insider Trading" in the Securities Market from the Judicial and Adjudicative Viewpoints: A Case Study</li> <li>• Strategies, Methods, and Practices of Value Realization of Corporate Mergers and Acquisitions: A Case Study</li> </ul>

		<ul style="list-style-type: none"> <li>Issues on International Tax Trends and Countermeasures</li> </ul>
2018/09/20-2018/09/21	Accounting Research and Development Foundation	Continuing Education Course for Accounting Officers of Issuers, Securities Companies, and Stock Exchanges (12 hours) <ul style="list-style-type: none"> <li>Development Trends and Enterprise Response to FinTech</li> <li>Corporate Governance Practice: Latest Amendments of the Company Act and Practical Enterprise Responses</li> <li>Financial and Tax Challenges and Practical Responses of Global Anti-Tax Evasion Against Enterprises</li> <li>Legal Liabilities and Case Studies of Commercial Paper Use of Enterprises</li> </ul>
2017/10/23-2017/10/24	Accounting Research and Development Foundation	Continuing Education Course for Accounting Officers of Issuers, Securities Companies, and Stock Exchanges (12 hours) <ul style="list-style-type: none"> <li>Impact and Countermeasures of Enterprises on The New "Audit Report of Financial Statements"</li> <li>New IFRS Analysis for the "2017 Recognition by IFRS Sequential Numbers" Policy of Competent Authorities</li> <li>Major Reports in Economic and Tax Administration Policies of the Trump Administration in the U.S.</li> <li>Latest Practice and Legal Liability Focus in Stock Exchange Supervision of the U.S. and Taiwan.</li> </ul>

Internal Audit Officer: Tracy Li		
Date	Organizer	Course
2020/04/28-2020/04/29	Securities and Futures Institute	Practical Training for Novice Directors and Supervisors, including Independent Directors, and Internal Audit Officers (12 hours): <ul style="list-style-type: none"> <li>Skills of Reading Financial Statement for Directors and Supervisors</li> <li>Exercising Duties of Directors and Supervisors for Listed Companies and OTC Companies</li> <li>Legal Issues That Directors and Supervisors of Public Companies Should Pay Attention To</li> <li>The Operation of Corporate Governance and Board of Directors</li> </ul>
2020/04/22	Securities and Futures Institute	Issues on Human Resources Management and Business Integration in the Process of Corporate Mergers and Acquisitions (3 hours)
2019/08/07	Securities and Futures Institute	2019 Seminar on Legal Compliance of Insider Share Trading For Listed Companies and Unlisted Public Companies (3 hours)

7. Qualifications and Continuing Education for Employees Responsible for Company's Financial Information Transparency as Designated by Competent Authorities:

The Company's accounting officers are hired as per the "Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges". The Company's accounting officers take a minimum of 12 hours of professional training courses every year in accounting, auditing, finance, financial laws, corporate governance, ethical practices, and legal liabilities. All courses taken are reported back to the competent authorities by law.

Chief auditors and auditing personnel are hired as per regulations and meet relevant requirements for internal auditors. The appointment, dismissal, evaluation, salary and compensation are reported by the chief auditor with approval from the Chairman or the Board of Directors. Apart from taking continuing education courses, their status of continuous education is also reported back to the competent authorities by law. Continuing education courses taken are summarized as follows:

Chief Auditor: Pei-Ming Chen		
Course Date	Organizer	Course
2019/10/01	The Institute of Internal Auditors-Chinese	Practical Study on Auditing the Cost and Value of Companies (6 hours)

2019/09/30	The Institute of Internal Auditors-Chinese	Reading, Analyzing, and Usage of Financial Statements (6 hours)
2018/10/25	The Institute of Internal Auditors-Chinese	Power BI (II) Visualized Risk Dashboard Design and Analysis (6 hours)
2018/09/20	The Institute of Internal Auditors-Chinese	Power BI (I) Multiple Data Import and Cross-Table Data Analysis (6 hours)
2017/11/09	The Institute of Internal Auditors-Chinese	Operational Audit Practice (6 hours)
2017/10/27	The Institute of Internal Auditors-Chinese	Auditor Management Skills Training (6 hours)

#### (4) Operation of Remuneration Committee

##### i. Profile of Remuneration Committee Members

The Remuneration Committee has three seats, convened and chaired by Dr. Wei-Ta Pan.

Title	Name	Criteria	Meets One of the Following Professional Qualifications Requirements, Together with at Least Five Years' Work Experience										Independence Criteria*										Number of other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in Commerce, Law, Finance, Accounting or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10										
Chairman	Dr. Wei-Ta Pan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	note 11									
Member	Chi-Chih Lu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	note 12									
Member	Samuel Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-									
Member	Hung Ching Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	note 13									

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

1. Not an employee of the Company or its affiliates.
2. Not a Director or supervisor of the Company or any of its affiliates. Not applicable in case where the person is an independent Director of the Company, its parent company, a subsidiary, or any subsidiary under the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a management personnel of the persons listed in the first preceding subparagraph, or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons listed in the preceding three subparagraphs.
5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. Not a Director, supervisor, or employee of any other company that the majority of the company's Director seats or voting shares are controlled by the same person. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. Not a Director (or governor), supervisor, or employee of another company or institution that the chairperson, general manager, or person holding an equivalent position of the company are the same person or are spouses. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a Director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable to independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Act.
11. Dr. Wei-Ta Pan concurrently served as remuneration committee member at China Life Insurance Co. Ltd., and the term ended on May 12, 2020.
12. Mr. Chi-Chih Lu resigned from the Company's remuneration committee on July 12, 2019.
13. Mr. Hung Ching Lee concurrently served as Chair of the remuneration committee at Chuwa Wool Industry Co., Ltd., and the term ended on February 17, 2020.

ii. Attendance of Members of the Remuneration Committee Meetings

- A. The Remuneration Committee held three committee meetings (A) in the previous years, and the attendance of members is tabulated below:

Title	Name	Attendance in Person (B)	Attendances Through Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	Dr. Wei-Ta Pan	3	0	100	Re-appointed on 2019/7/12
Member	Chi-Chih Lu	1	0	100	Resigned on 2019/7/12
Member	Samuel Lee	3	0	100	Re-appointed on 2019/7/12
Member	Hung Ching Lee	2	0	100	Newly appointed on 2019/07/12

Additional Disclosure:

- (1) The date of the meeting, session, content of the motion, resolutions resolved by the BoD, and the Company's response to the remuneration committee's opinion shall be

specified should the BoD declines to adopt or choose to modify suggestions proposed by the remuneration committee: NA.

- (2) Should the remuneration committee expressed objections or reservations on the committee's resolutions, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: NA.

B. Establishment of the "Remuneration Committee Charter"

On August 31, 2011, the BoD approved the "Remuneration Committee Charter" in accordance with relevant regulations. Tenure for the Committee is the same as that of the Board of Directors.

C. The Remuneration Committee member is composed of three members, including Dr. Wei-Ta Pan, Mr. Samuel Lee, and Mr. Hung Ching Lee. While, Dr. Wei-Ta Pan was elected to convene the Committee and served as the Chair of Committee meetings. The Committee shall exercise the due care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- Establish and periodically review the performance evaluation and the policies, systems, standards, and structure for the remuneration for Directors and management personnel.
- Periodically assess and determine the remuneration and compensation of Directors and management personnel.

D. The 1<sup>st</sup> Remuneration Committee was established on September 30, 2011 and three terms have passed since. The 4<sup>th</sup> committee was appointed to accompany the newly elected BoD on July 12, 2019. The tenure is for three years from July 12, 2019 to June 20, 2022, the same termination date as the end of the BoD term. A total of three committee meetings were held in FY2019.

iii. Major Resolution Resolved by The Remuneration Committee Meeting:

Date of Resolution	Committee Term	Session	Summary of Resolution	Opinions Expressed by The Committee Members and Company's Response
2019/03/19	3	9	• Approved the distribution plan for FY2018 employees' bonus and remuneration to Directors	Approved by all committee members unanimously.
2019/08/02	4	1	• Approved the detailed distribution plan for FY2018 employees' bonus and remuneration to Directors	
2019/12/10	4	2	• Approved the distribution plan for FY2019 year-end bonus for employees	

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

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>The Company has established social responsibility manual based on the Social Accountability 8000 Standard (SA8000) and the Responsible Business Alliance (RBA) Code of Conduct to provide a dependable reference for all CSR related procedures in order to execute the Company's corporate social responsibilities for all stakeholders. Internal audits on CSR management system are performed at least once a year to ensure the effectiveness of CSR measures and executions.</p> <p>CSR related training and awareness education are arranged every year through new employee training, announcements, publicity materials, various communication meetings, classroom training, and online training.</p> <p>Operation risks are assessed every year according to the principle of materiality, and CSR objectives and strategies are established with respect to the risk level and implemented at all functional units and personnel based on their duties, and evaluation is performed to ensure continual ESG improvement.</p>	No significant difference
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>The high level management team from the Office of the Chairman and the Office of the President have assigned executive officers as the representative and their deputy in accordance with the social responsibility manual. Subjects related to the assessment and strategic directions of CSR implementation from the aspects of economy, environment, and society are discussed and initiated by the Company's CSR Committee. Upon approval from high-level management team from the Office of the Chairman and President, the</p>	No significant difference

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
3. Environmental Issues: (1) Does the company establish proper environmental management systems based on the characteristics of its industry?	✓		<p>proposals are submitted to BoD for review. CSR initiatives are carried out upon approval from BoD and progress reports on Committee execution results are periodically reported to BoD at least once a year</p> <p>Please refer to item 7 on “other important information to facilitate better understanding of the Company’s corporate social responsibility practices” as well as the supplemental material for details regarding our initiative and implementation on Corporate Social Responsibility Governance.</p> <p>The Company has been implementing the environmental management system since 1999, the system combines both environmental management program and actual operations of manufactories. The system is ISO-14001 and ISO-45001 certified, and each manufactory is progressively completing ISO-14064 certification. We also perform internal and external audits on all manufactories to ensure compliance of every standard, to continuously improve our system to meet the regulatory requirements, and to adjust our environmental policy and objectives accordingly.</p> <p>For details regarding the environment-related issues, please visit the “Love The Earth” chapter in our “2018 CSR Report” or visit:  <a href="https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_5.asp">https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_5.asp</a> </p>	No significant difference
(2) Does the company endeavor to utilize all resources more efficiently and use reusable materials which have a low impact on the environment?	✓		<p>The Company’s environmental policy is “to reduce air pollution, water pollution and waste in order to minimize environmental impacts.”</p> <p>To pursue “sustainable development,” the Company is dedicated in using</p>	



Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<p>materials in conformance with the requirements for toxic substances, regulated by global RoHS, EU Battery Directive, EU Packaging and Packaging Waste Directive, and EU REACH. The Company is also dedicated in managing air quality, water pollution, and waste management of our manufacturing sites to comply with local regulations on pollution prevention.</p> <p>In design and development of green products, we are committed to making full use of all forms of energy and resources in conformity of our 3R target - Reduce, Reuse, and Recycle. Without compromising green design technology for product development and performance, products are designed and produced in accordance with the following principles:</p> <p>(1) Effective Energy Use: the energy efficiency level is in compliance with the US Energy Star standard, the Battery Charger System of the California Energy Commission, the Chinese Microcomputer Energy Efficiency Labeling Implementation Rules, and the EU Energy Related Product Directive (Lot 3 for Computers and Servers, Lot 6 for Energy Conservation in Standby and Off-Mode, Lot 7 for Adapters and External Power Supplies, and Lot 26 –Energy Conservation in Standby Mode for Network Equipment).</p> <p>(2) Product Recycling and Resources Utilization: implementation of post-consumer recycled plastics has fulfilled the easy disassembly product design requirement by EU WEEE to facilitate easy maintenance and parts upgrades for users and to extend product life-cycle to reduce material mining and resources consumption.</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			The Company makes constant efforts to promote and implement efficient energy and resources utilization through green product design to enhance the Company's green image and to reduce environmental impacts. Green product design would create a win-win situation for the economy and the environment.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>The Company has been following the standard procedures of ISO-14064 since 2007 to inventory the "direct GHG emissions," "energy indirect GHG emissions," and "other indirect GHG emissions" at all of our manufactories. We have also established standard procedures for GHG inventory to verify emission level, to fully capture GHG status and to verify the performance of GHG reduction.</p> <p>The "Energy Conservation and Carbon Emission Team" was formed in 2008 and the "GHG Emissions Inventory Team" was formed in 2009 in order to promote GHG inventory. The teams conduct monthly analysis on the status of energy management and consumption, diagnose potential problems and vulnerabilities in energy use, uncover energy conservation potential, locate new directions for energy conservation, and reduce energy consumption.</p> <p>In 2010, we enhanced the "ISO14064 Internal Auditor" training program to achieve the systematization and reliability of GHG inventory.</p> <p>In 2011, the Shanghai manufacturing site performed the carbon emissions calculation on a range of products based on product Life Cycle Assessment (LCA) of the GHG Protocol. The preliminary GHG database is then established to identify carbon</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<p>consumption of parts or products of the same category, and to be used as a reference for future production materials and equipment selection.</p> <p>Since 2012, we implemented supplier database management software by combining product LCA and the GHG Protocol based on PAS 2050 and ISO14044:2006 standards. Since 2016, each manufacturing site began the implementation of third-party GHG verification of greenhouse gases assertions in accordance with ISO14064-1:2006.</p> <p>In addition, we promote and implement energy conservation program for offices and common areas through adoption of energy-efficient equipment to reduce carbon emissions. Furthermore, we also arrange publicity activities, education, and training on the subject matter to deepen employees' understanding of GHG reduction and develop their habit of energy conservation.</p> <p>We have conducted assessment on the risks and opportunities of climate change based on the CDP since 2019, including international agreements, carbon tax, cap-and-trade, carbon emission reports, fuel/energy tax and policy, as well as regulation on renewal energy.</p> <p>Please visit the "GHG Management" section of "Love The Earth" chapter in our "2018 CSR Report."</p>	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			<p>The Company will make the following efforts based on our GHG management policy:</p> <ul style="list-style-type: none"> <li>• Take internal GHG inventory to understand the status of GHG emissions timely.</li> <li>• Draw up GHG voluntary reduction plans according to GHG inventory results.</li> </ul>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<ul style="list-style-type: none"> <li>Constantly implement and support energy conservation and carbon reduction measures and sustainable operations to fulfill CSR roles and duties.</li> <li>Comply with environmental protection laws and regulations governed by the government, as well as customer requirements, and other related regulations.</li> </ul> <p>“Reduce air and water pollution and waste production in order to reduce environmental impacts” is our environmental policy. Upholding the belief in “co-existence with Earth,” all employees are committed to achieving the environmental policy with all efforts to prevent pollution and maintain continual improvement.</p> <p>Please visit the “Effluents and Waste” section of “Love The Earth” chapter in our “2018 CSR Report.”</p>	
4. Social Issues: (1) Does the company formulate appropriate management policies and procedures in accordance with the relevant laws and International Bill of Human Rights?	✓		<p>As a member of the RBA (Responsible Business Alliance), we are committed to abiding by SA8000, the RBA Code of Conduct, relevant international governance, as well as local laws and regulations of host countries and regions. We support and respect international protocols governing human rights for labors, including the International Labour Organization Tripartite Declaration of Principles.</p> <p>Employee recruitment is based on open and impartial manner and follows the principle of non-discrimination policy. All candidates are treated equal with fair chance, so the Company can recruit appropriate and competent talents.</p> <p>In employee management, apart from abiding by relevant laws, regulations and the employment contract, the Company also has established relevant</p>	No significant difference.

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		<p>regulations as a governing reference for employees. Labor relations department is established to build a sound communication channel with employees. Related procedures are implemented in accordance with the Company's regulations and procedures.</p> <p>Please visit the "Employee Overview" section of "Human-Centric" chapter in our "2018 CSR Report" or visit: <a href="https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_4.asp">https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_4.asp</a></p> <p>The Company has established a fair remuneration policy based on employees' education, professional experience, competencies, performance evaluation, and the status of business operations. Remuneration is fairly awarded to ensure remuneration policy is in conformity with the Company's strategic goals and stakeholders' interests. Regulations governing employee vacation days and employee welfare are implemented and the establishment of "Employee Welfare Committee" is responsible for executing various employee welfare program. CSR objectives are achieved by implementing the functions and duties of all functional units and personnel. Corresponding development counter acts are effectively measured based on evaluation performance.</p> <p>Details on employee welfare program and implementation are specified in the "Labor Relations" section of the "Business Activities" chapter of this annual report.</p>	
(3) Does the company provide employees with a safe and healthy working environment and organize training on safety and health for employees on a regular basis?	✓		<p>To provide employees with safe and healthy work environment and living conditions, the Company has established the Environment, Health, and Safety (EHS) policy as the guideline</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(4) Does the company provide its employees with career development and training sessions?	✓		<p>for work environment safety and personal safety of employees. Apart from abiding by relevant laws and regulations, we devote additional efforts in fulfilling corporate responsibility.</p> <p>For specific measures please refer to the "Occupational Health &amp; Safety Management" section of "Love The Earth" chapter in our "2018 CSR Report" or visit:  <a href="https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_5.asp">https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_5.asp</a></p> <p>The management team of Quanta extremely value the importance of talent cultivation, especially in areas of Technology, Behavior, and Business (TBB). We therefore entrust Quanta Elite school to organize courses in five areas — Expertise, Leadership, Innovation, Thinking, and Entrepreneurship (ELITE) — to provide comprehensive learning resources that is complete and systematic. Annual learning and development plan is organized based on the organizational strategy and business needs at the beginning of each year. The ELITE program is aim at cultivating employees' capability in TBB and to assist employees with future career advancement.</p> <p>For specific measures, please refer to the "Talent Development" section of the "Human-Centric" chapter in our "2018 CSR Report."</p>	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		<p>Quanta's key business operation is manufacturing, therefore, compulsory rating labels are marked on aluminum boards once product design and production have satisfied with relevant requirements. Products manufactured by Quanta also comply with the regulations on electrical safety, EMI, and EMC.</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		<p>Marking and labeling of all products and services provided by Quanta are governed by relevant regulations to ensure compliance with legal requirements, international standards, local laws and regulations, and to ensure personal data protection is fulfilled.</p> <p>For specific measures, please refer to the “Green Quality Management” section of the “Green Supply” chapter in our “2018 CSR Report” or visit <a href="https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_6.asp">https://www.quantatw.com/Quanta/chinese/about/CSR2018/article_6.asp</a></p> <p>As a member of the RBA, we are committed to comply with the RBA Code of Conduct in product design, manufacturing, marketing, and after sales services for customers. We also request our suppliers who provide products or services to the Company and our affiliates to support and to comply with our policies and code of conducts. Furthermore, regular audits on suppliers are conducted to ensure their compliance with relevant standards.</p> <p>Audits on new suppliers includes audit on environmental, health and safety assessment, as well as suppliers’ current CSR performance.</p> <p>Contracts signed with suppliers clearly state our high standards for safety and accident prevention, as well as requirements for suppliers to comply with applicable laws, regulations, and orders, including without limitation to any environmental protection law. “Statement of Compliance with the RBA Code of Conduct” is established in our CSR requirements for suppliers with hopes that suppliers would actively follow our CSR governance. In the event that suppliers violate our CSR requirements and cause significant</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<p>impacts, the Company may terminate or rescind all contracts signed.</p> <p>For specific measures, please refer to the "Green Supply Management" section of the "Green Supply" chapter in our "2018 CSR Report".</p>	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		<p>We publish CSR reports every year since year 2010, the content of our CSR reports are available both in Traditional Chinese and English and the reports are published on the Corporate website electronically in compliance with our environmental protection policy. The reports are also posted on the Market Observation Post System starting since year 2013.</p> <p>The 2017 CSR Report (prepared in 2018) was prepared based on the "Core Level of Disclosure" in accordance with the Sustainable Reporting Guidelines published by the Global Reporting Initiative (GRI). The 2017 CSR Report was submitted for third-party verification based on Type I of AA1000: 2008 standards. Both the CSR Committee and management representatives participated in the verification process.</p> <p>Quanta and the third-party verification agency, Bureau Veritas Certification (Taiwan) Co., Ltd. are two independent entities. Reference for the Company's disclosure indicators and the independent statement of assurance are available for reference in our CSR Report.</p> <p>The 2018 CSR Report (will be prepared in 2019) will be submitted for external verification to continue improve the quality and reliability of the report.</p>	No significant difference.

6. If the company has established its Corporate Social Responsibility Best Practice Principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," please describe any discrepancy between the Principles and their implementation.



The Company has established Corporate Social Responsibility Best Practice Principles and incorporated CSR efforts in our business operation and business development. We further established CSR Committee to promote various CSR activities, to enforce corporate governance, to develop a sustainable green environment, to preserve social welfare, and to reinforce information transparency.

7. Other important information to facilitate better understanding of the company's corporate social responsibility practices

Specific plans and measures the Company takes in environmental protection, community engagement, social contribution, social services, social welfare, and other CSR-related activities include:

To promote the ideology of business operation in "Sustainable Environmental Management", with approval from the BoD, the Company has allocated a sum of US\$28.2 million to invest in green energy related industries in different installments through subsidiaries. The investment in green energy is aimed at reducing environmental impacts from the production process, contributing to environmental protection, and realizing the Company's commitment in CSR, sustainable development and environmental protection.

In addition, the Company has established both the Quanta Culture & Education Foundation (QCEF) and Quanta Arts Foundation (QAF) based on the belief in "equal opportunity to explore culture and to share technology" with the objectives of "Education as a Foundation," "Art as an Essence," "Technology as an Instrument," and "Creativity as a Principle." We actively participate in various activities to promote community development and charities through business activities, donations, volunteer services, and other complementary professional services. For specific measures and executions, please refer to Social Participation chapter of the 2018 CSR report, or visit <http://www.quantatw.com/Quanta/chinese/about/CSR2018/CSR2018.pdf>

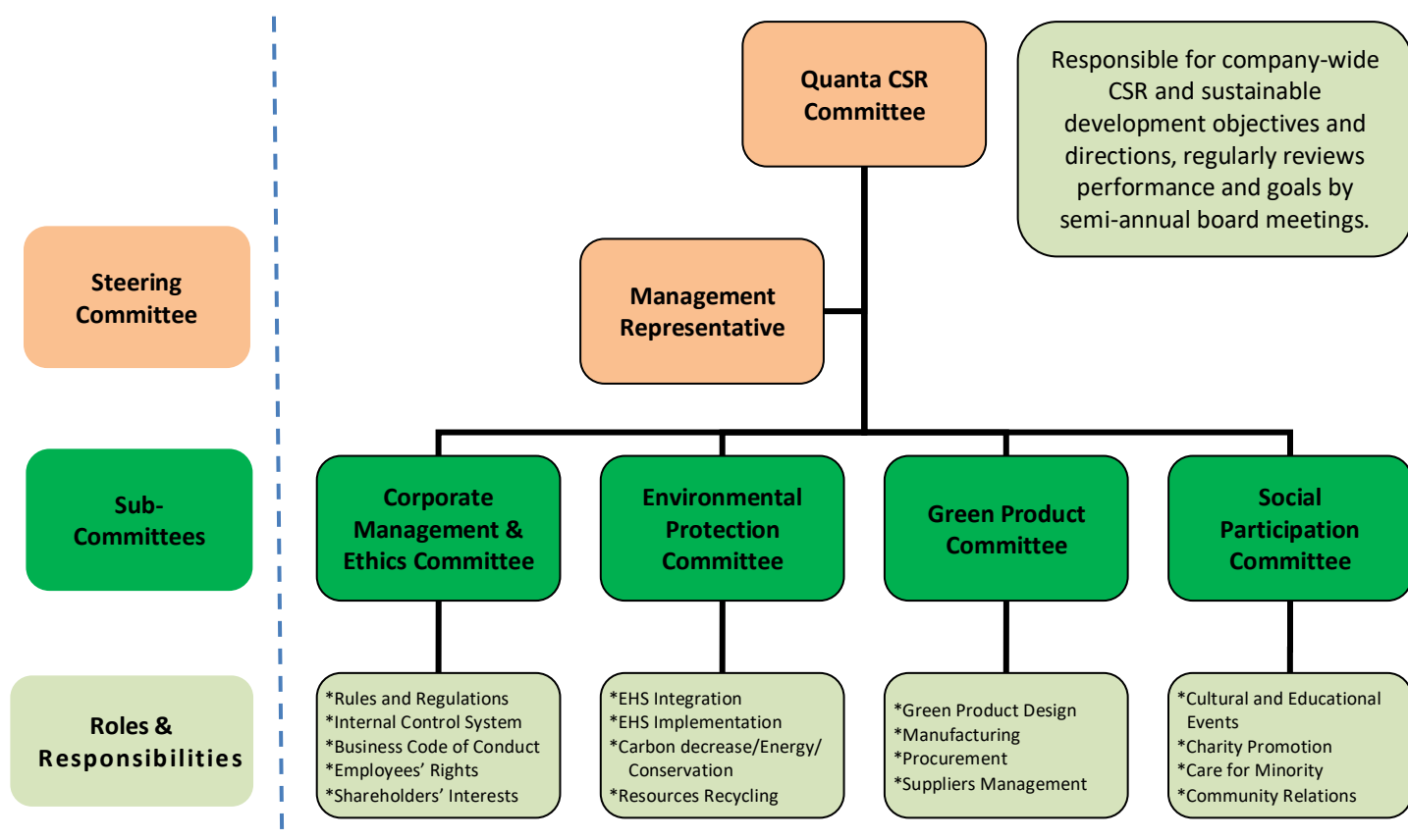
Note:

Item 1: Supplementary notes on our Corporate Social Responsibility Governance:

1. CSR Implementation:

The Company has established "Quanta CSR Committee" as the designated unit responsible for promoting CSR initiatives, four sub-committees are subordinate to the Quanta CSR Committee, including Corporate Management and Ethics Committee, Environmental Protection Committee, Green Product Committee, and Social Participation Committee. The four sub-committees complete the structure of Quanta CSR Committee. Relevant high-level management team serves as representatives for CSR management, and the human resources team and CSR team are responsible for coordinating the operations and reports of CSR system. Each sub-committee periodically holds committee meeting every six months in order to review the implementation results and follow-up execution plans. Additionally, the "Quanta CSR Committee" Joint Meetings are held to provide a comprehensive review and discussion and to strengthen the promotion of ESG with expectation to meet global ESG standards.

Functions and key responsibilities of each sub-committee under the Quanta CSR Committee are shown below:



(6) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		<p>The Company has established the "Ethical Corporate Management Best Practice Principles," "Corporate Governance Best Practice Principles," and the "Code of Ethics and Business Conduct" to regulate relevant business operations. The governance is in effect upon approval from the BoD.</p> <p>To prevent insider trading, the Company has established "Internal Material Information Processing</p>	No significant difference.

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		<p>Procedure” and “Regulations for Preventing and Controlling Insider Trading.” Designated personnel is assigned to send emails to all insiders in the beginning of every month as reminders to report changes in shareholding status on a periodic basis, summaries of important regulations and attachments of relevant documentations are also enclosed in emails for reference. When there is a newly appointed insider, a designated personnel is assigned to provide necessary education and training and designated department is also established to provide necessary counseling services.</p> <p>The Company has established the “Ethical Corporate Management Best Practice Principles,” “The Code of Ethics and Business Conduct,” “Governance on Approval Authority”, “Avoidance of Conflicts of Interest and Protection of Confidential Information.” For employees to understand and stay vigilant to ethical corporate management at all times, apart from publishing regulations and documents relating to business ethics in the intranet for employees to access, we publicize the Company’s core values and compliance through education training courses, posters, and publicity materials to enhance value education.</p> <p>The “Code of Ethics and Business Conduct” does not limit itself to governance by laws and regulations, but self-discipline is the key to our compliance and employees should develop self-judgement on their business conducts. When there are doubts about the employee’s business conduct or there are difficulties in determining if the</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		<p>situation conforms with the “Ethical Corporate Management Best Practice Principles,” employees shall distinguish the legitimacy of their conducts as per the “Ethical Corporate Management Best Practice Principles” or consult with the Human Resources department in advance. We uphold zero-tolerance for all potential unethical behavior and punish confirmed offenders with termination of employment or business transactions. Legal actions would also be taken where necessary.</p> <p>Furthermore, the Company has established an accounting system, an internal control system, internal and external audit system to perform periodic and unannounced audits.</p> <p>The Company has established the “Rules and Procedures for the Board of Directors Meeting” with a system to govern avoidance of conflict of interests for Directors. Under this system, Directors may express their opinions and address enquiries for proposals that constitute conflict of interests against themselves or the institutional investors they represent, but will not participate in the discussion or voting of such proposals. In addition, the Directors shall withdraw themselves from the discussion and voting venues and shall not represent other Directors to exercise their voting rights.</p> <p>The “Code of Ethics and Business Conduct” governs employees shall maintain high self-discipline and professional ethics in their conduct whether within the Company or outside the Company. Specific governance includes the following:</p> <ul style="list-style-type: none"> <li>• not request for, accept or give any and all forms of bribery;</li> <li>• not engage in any and all forms of</li> </ul>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
			<p>behavior that may harm the Company's goodwill;</p> <ul style="list-style-type: none"> <li>• avoid any and all forms of events and matters that may constitute conflicts of interest between employees and the Company;</li> <li>• not request for, accept or give any and all forms of gift or treatment/entertainment that may harm their faithfulness to duty or professional judgment.</li> </ul> <p>Relevant business units would review the applicability and legality based on the situation and make necessary amendments.</p>	
<p>2. Implementation of Ethical Corporate Management</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>As a RBA member, we are committed to abiding by the RBA Code of Conduct and strictly request our suppliers to comply with relevant RBA standards, including but without limitation to business integrity, no bribery, and no improper benefits. Furthermore, we strictly request suppliers to perform the compliance obligation either contractually or non-contractually.</p> <p>The Company complies with the RBA Code of Conduct to supervise ethical corporate management with due diligence, the Board of Directors has established various organizations and channels, such as the audit committee, remuneration committee, financial experts, and internal audit, etc. We've also established relevant regulations and periodically, at least once a year, review the implementation. CSR-related strategies, management approaches, and implementation plans are consolidated and implemented with the approval from the BoD.</p> <p>The Company has established the "Ethical Corporate Management Best</p>	No significant difference.

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
<p>provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p>	✓		<p>Practice Principles” and the “Code of Ethics and Business Conduct” to prevent conflicts of interest. When new employees are recruited, they are requested to sign the “Statement of Conflicts of Interest for New Employees”. In addition, all employees are required to voluntarily report any conflicts of interest. Employees in charge of management duties and nature of their job are requested to report conflicts of interest or any threats thereof every year.</p> <p>The Company has also established the “Rules and Procedures for the Board of Directors Meeting” with a system to govern avoidance of conflict of interests for Directors. Under this system, Directors may express their opinions and address enquiries for proposals that constitute conflict of interests against themselves or the institutional investors they represent, but will not participate in the discussion or voting of such proposals. In addition, the Directors shall withdraw themselves from the discussion and voting venues and shall not represent other Directors to exercise their voting rights.</p> <p>To ensure the correctness and integrity of the financial reporting process and controls, standard operating procedures are designed in relation to internal control systems targeting unethical behavior with potential higher risk of involvement. Internal audit team would also reference the risk assessment results to implemented audit items in the annual audit program. The audit results and subsequent improvement programs are reported to the Board of Directors and management team to enforce the effectiveness of audit. In addition, through the annual self-</p>	

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		<p>assessment conducted within the Company, all departments and subsidiaries must review the design of the internal control system and the effectiveness of its implementation. Outside accountants are hired to perform periodic audits.</p> <p>Through different courses in CSR, PIS, green product, and ISO audits, employees are reminded periodically on regulation compliance and ethical corporate management mindset and practices.</p> <p>To respect and to ensure employees understand their rights and interests at work, and that they are familiar with relevant regulations and job responsibilities, the Company organizes education and training courses on human rights at our manufacturing sites in Taiwan and mainland China. Topics of education and training include CSR, ethical corporate management, occupational health and safety, project management, and counseling. In 2019, the number of participants and the length of training across our four manufacturing sites were 877,696 participants and 1,581,694 hours respectively. Employees or direct labors in Taiwan and mainland China (Shanghai, Changshu, and Chongqing) are 100% trained.</p>	
<b>3. Operation of The Integrity Channel</b> (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		<p>The “Code of Ethics and Business Conduct” specifically governs employees to remain alert on any behavior that may violate the Code of Conduct. When in doubt or when employees discover any behavior violating the Code of Conduct, the employees are responsible for reporting to their supervisors. Employees may also directly report the matters to the human resources manager, the chief auditor, or</p>	No significant difference.

Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
<p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	✓		<p>through the employee grievance channels if necessary.</p> <p>Employees reporting a violation of the Code of Conduct and subsequently participate in related investigations shall be protected by the Company against any unfair treatment or retaliation. Employees breaking the Code of Conduct shall be punished and terminate employment in the most severe circumstance.</p> <p>Other stakeholders with objections or concerns may express their opinions through our CSR contact window.</p> <p>We have established the protection and non-retaliation mechanism in the code of ethics of our CSR system based on the RBA Code of Conduct. Employees violating the Code of Conduct would be punished and reported in accordance with relevant rules and regulations.</p> <p>Employees reporting a violation of the Code of Conduct and subsequently participate in related investigations are protected by the Company against any unfair treatment or retaliation.</p>	
<p>4. Reinforcing Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	✓		<p>Information on ethical corporate management, social responsibility, and business philosophy are disclosed on our Corporate website. Designated team is also assigned to collect and publish relevant information.</p>	No significant difference.
<p>5. If the company has established its own ethical corporate management best practice policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any discrepancy between the Principles and their implementation:</p> <p>Best practice principles have been established and submitted to the BoD for approval prior to implementation. Such principles are also published on the Corporate website and MOPS as a reference guideline for the management team, employees and suppliers.</p>				



Evaluation Item	Implementation Status			Deviations and the cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
6. Other material information that to facilitate better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies)				
<p>Matters related to significant operation policies, investment projects, acquisition and disposal of assets, lending funds to other parties, and guarantee and endorsement are analyzed, implemented and resolved by relevant departments. Such matters are disclosed in accordance with relevant regulations. We conduct self-assessment every year to review the suitability and effectiveness of the internal control system in response to organizational and environmental changes to ensure our internal control is effectively implemented.</p> <p>Strict mechanism is implemented to evaluate new suppliers with key focuses on suppliers’ environmental protection, business ethics and integrity, and green products policy. CSR audit on suppliers is performed every year based on guidelines resolved by Quanta CSR Governance &amp; Ethical Management Committee. In addition to fulfill the RBA requirements, our expectations and demands for suppliers also include the acceptance of our documentary review and onsite audit, taking corrective and preventive actions for problem identified, and exercise due care to investigate conflict mineral investigations and resolve relevant issues. We expect our suppliers to equally value the importance of CSR practices with Quanta.</p>				

(7) Access information on Company's Corporate Governance Best Practice and related regulations:

Material information regarding business operations is disclosed on the Corporate website for investors and shareholders review, path to the Corporate Governance section of our website is: <http://quantatw.com/Quanta/english/Default.aspx> under "Investor Relations" tab then select "Corporate Governance". The Corporate Governance section contains financial information and major internal policies, including Articles of Incorporation, Acquisition and Disposal of Assets Procedure, Lending Funds to other Parties and Endorsements & Guarantees, Internal Audit Organization and Operations, Remuneration Committee Charter and Regulations, Regulations for Election of Directors. All disclosed documents are gathered and maintained by designated personnel responsible for disclosing and updating the information periodically so investors would have timely access to our financial information, business operation, and investor conference material.

(8) Other material information that would enhance understanding of the Company's implementation of corporate governance:

Related business units regularly or intermittently discuss matters concerning financial statements and internal control status with CPAs.

For internal material information processing procedure, the Company follows "Regulations for Preventing and Controlling Insider Trading". For material information disclosure, the Company follows "Regulations Governing the Scope of Material Information and the Means of its Public Disclosure Under Article 157-1, Paragraphs 5 and 6 of the Securities and Exchange Act" and the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".

To prevent insider trading, personnel with knowledge of internal material information shall trade the securities of this Company as per Article 157-1 of the Securities and Exchange Act. Internal mechanisms are also established, awareness education and training are periodically arranged, and such practice is fully informed to employees, management team, and Directors in order to prevent law breaking matters and incidents of insider trading.

- (9) Performance of Internal Control  
i. Statement of Internal Control

**Quanta Computer Inc.**  
**Statement of Internal Control**

30<sup>th</sup> March, 2020

With regards to the results of 2019 self-evaluation of the internal control system, we hereby declare the following:

1. We acknowledge and understand that it is the responsibility of our board of Directors and management team to establish, implement, and maintain an internal control system, and we have established such a system. The purpose is to fairly ensure the effectiveness and efficiency of the Company's operations, including profitability, performance and security of assets. To provide reliable, timely, and transparent financial reporting that meets legal compliance.
2. Despite limitation inherent to each internal control system, an effective internal control system can only fairly ensure the achievement of aforementioned goals. Furthermore, the effectiveness of an internal control system may vary in response to changes in macro environment and market condition. By equipping our internal control system with a self-monitoring mechanism, immediate corrective actions can be taken against defects once identified.
3. The Company follows procedures specified in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Criteria") to determine the effectiveness of design and implementation of our internal control system. With regard to management control process, the Criteria divides an internal control system into five elements: a) control environment, b) risk assessment, c) control operation, d) information and communication, and e) monitoring. Each element also contains several audit items, and shall be referred to the Criteria for details.
4. We have evaluated the effectiveness of the design and implementation of our internal control system based on aforementioned criteria.
5. Based on the assessment results following aforementioned evaluation criteria, we hold that the design and implementation of our internal control system on December 31, 2019, including supervision and management of subsidiaries, were effective in understanding the effectiveness of operation, progress in achieving above set goals. Our internal control system delivers reliable, timely, and transparent information, and meets compliance governed by relevant regulations.
6. The statement of internal control shall form an integral part of the Company's annual report and prospects, the statement will also be disclosed to public. If there is any fraud, concealment, or unlawful practice found in the above contents, we shall be liable for legal consequences set forth in Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement of declaration was approved unanimously by the Board of Directors meeting held on March 30, 2020 with none of the seven attending Directors expressing dissenting opinions.

**Quanta Computer Inc.**

Chairman of the Company:

(Barry Lam)

President of the Company:

(C. C. Leung)

- ii. If CPA was engaged to conduct a special audit of internal control system, provide its audit report: NA.

(10) Status of the Company or internal personnel being punished for violating regulations governing internal control system, or major defects and improvements?

No significant misconduct identified last year.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings:

Major Resolutions of Shareholders' Meeting and Board Meetings

Annual General Meeting of Shareholders																																				
Date	Major Resolutions	Implementation Status																																		
2019.06.21	◆ Report distribution of employees' bonus and remuneration to Directors	Proceeded as approved.																																		
	◆ Approved FY2018 business report and financial statements (including independent auditor's report and Audit Committee's review report)	Please refer to financial statements disclosed on Company's website and MOPS																																		
	◆ Approved the allocation of FY2018 distributable earnings	The AGM resolved to distribute stock dividend of NT\$0 and cash dividend of NT\$3.55 per share. The BoD meeting then set August 4 <sup>th</sup> , 2019 as the base date for disposition and August 23 <sup>rd</sup> , 2019 as the date for cash dividend disposition. All dividends have been distributed as resolved.																																		
	◆ Amendments to the Procedures for Assets Acquisition or Disposal	Amended in accordance with relevant regulations and the BoD resolution. Procedures post amendments were posted on Company's website and MOPS.																																		
	◆ Amendments to the Procedures for Lending Funds to Other Parties, and Endorsements & Guarantees																																			
	◆ Election of Directors	Voting Results: <table><tr><th>Item</th><th>Title</th><th>Name in English</th><th>Votes Received</th></tr><tr><td>1</td><td>Director</td><td>Barry Lam</td><td>2,846,241,630</td></tr><tr><td>2</td><td>Director</td><td>C.C. Leung</td><td>2,754,970,067</td></tr><tr><td>3</td><td>Director</td><td>C.T. Huang</td><td>2,617,434,028</td></tr><tr><td>4</td><td>Director</td><td>Tim Li</td><td>2,512,846,378</td></tr><tr><td>5</td><td>Independent Director</td><td>Wei-Ta Pan</td><td>1,889,531,834</td></tr><tr><td>6</td><td>Independent Director</td><td>Pisin Chen</td><td>1,771,989,586</td></tr><tr><td>7</td><td>Independent Director</td><td>Hung Ching Lee</td><td>1,682,385,308</td></tr></table>			Item	Title	Name in English	Votes Received	1	Director	Barry Lam	2,846,241,630	2	Director	C.C. Leung	2,754,970,067	3	Director	C.T. Huang	2,617,434,028	4	Director	Tim Li	2,512,846,378	5	Independent Director	Wei-Ta Pan	1,889,531,834	6	Independent Director	Pisin Chen	1,771,989,586	7	Independent Director	Hung Ching Lee	1,682,385,308
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◆ Approved to remove non-competition clauses on board members	Proceeded as approved.																																			

Board of Directors Meetings			
Date	Period	Section	Summary
2019.03.28	12	21	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved FY2018 financial statements.</li> <li>◆ Approved independent CPA's audit report to be issued for FY2018 financial statements.</li> <li>◆ Approved FY2018 business report.</li> <li>◆ Approved the effectiveness evaluation and the statement of declaration on the Company's internal control system.</li> </ul>

Board of Directors Meetings			
Date	Period	Section	Summary
			<ul style="list-style-type: none"> <li>◆ Approved the allocation of FY2018 distributable earnings.</li> <li>◆ Approved FY2018 distribution of employees' bonus and remuneration to Directors.</li> <li>◆ Approved amendments on major internal policies.</li> <li>◆ Approved matters relating to FY2019 AGM.</li> <li>◆ Approved the nomination list for election of the Company's Directors and Independent Directors.</li> <li>◆ Approved the candidate list for the Company's Directors and Independent Directors.</li> <li>◆ Approved donation to the Chinese National Association of Industry and Commerce (CNAIC).</li> <li>◆ Approved donation to The SINOCON Industrial Standards Foundation.</li> <li>◆ Approved donation of a batch of notebook computers to Quanta Arts Foundation.</li> <li>◆ Approved donation of a batch of notebook computers to Quanta Culture &amp; Education Foundation.</li> <li>◆ Approved amendments on Level of Authorization.</li> <li>◆ Ratified credit limit applications from financial institutes.</li> </ul>
2019.05.14		22	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved Q1 FY2019 financial statements.</li> <li>◆ Approved independent auditor's review report to be issued for Q1 FY2019 financial statements.</li> <li>◆ Approved the removal of non-competition clauses on new board members</li> <li>◆ Approved the 2018 CSR report (prepared in 2019).</li> <li>◆ Approved new appointment of Internal Audit Officer</li> <li>◆ Approved the establishment of "A Standard Operational Protocol for Responding to Requests from Directors"</li> <li>◆ Approved the establishment of Quanta AI Medical Foundation</li> <li>◆ Ratified credit limit applications from financial institutes</li> </ul>
2019.06.21	13	1	◆ Nominated the Company's Chairman and Vice Chairman
2019.07.12		2	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Status report on the liability insurance for Directors.</li> <li>◆ Approved base date for dividend disposition.</li> <li>◆ Reelected the 4<sup>th</sup> Remuneration Committee Members</li> <li>◆ Approved the removal of non-competition clauses on Company's management personnel</li> <li>◆ Ratified credit limit applications from financial institutes</li> </ul>
2019.08.13		3	<ul style="list-style-type: none"> <li>◆ Accountant report: communication between accountants and corporate governance team</li> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved 1H FY2019 financial statements.</li> <li>◆ Approved independent auditor's review report to be issued for 1H FY2019 financial statements.</li> <li>◆ Approved amendments on the Company's "Corporate Governance Best Practice Principles."</li> <li>◆ Approved FY2018 distribution of remuneration to management team.</li> <li>◆ Approved FY2018 distribution of remuneration to Directors.</li> </ul>
2019.10.04		4	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved the establishment of subsidiary in Thailand</li> </ul>

Board of Directors Meetings			
Date	Period	Section	Summary
			<ul style="list-style-type: none"> <li>◆ Approved capital increase subscription on existing indirect investment company in mainland China</li> <li>◆ Approved to contract out the construction project for the "Third Production Plant" in Taiwan</li> <li>◆ Approved amendments on Level of Authorization</li> <li>◆ Ratified fund lending to affiliates for short-term working capital needs</li> <li>◆ Approved fund lending to affiliates for short-term working capital needs</li> <li>◆ Ratified credit limit applications from financial institutes.</li> </ul>
2019.10.31		5	<ul style="list-style-type: none"> <li>◆ Approved internal audit report.</li> <li>◆ Approved fund lending to affiliates for short-term working capital needs</li> </ul>
2019.11.13		6	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved Q3 FY2019 financial statements.</li> <li>◆ Approved independent auditor's review report to be issued for Q3 FY2019 financial statements.</li> <li>◆ Approved fund lending to affiliates for short-term working capital needs</li> <li>◆ Ratified credit limit applications from financial institutes.</li> </ul>
201.12.19		7	<ul style="list-style-type: none"> <li>◆ Status report on derivatives transactions from the previous period.</li> <li>◆ Approved internal audit report.</li> <li>◆ Approved report on communication with all stakeholders</li> <li>◆ Approved the proposal of "2020 Annual Audit Plan" for the Company and its subsidiaries.</li> <li>◆ Approved 2020 CSR Strategy and Direction for the Company.</li> <li>◆ Approved annual assessment of accountants' independence and professional qualifications.</li> <li>◆ Approved donation to Quanta Arts Foundation.</li> <li>◆ Approved 2019 annual bonus distribution plan for management team.</li> <li>◆ Approved the establishment of "Procedures to Evaluate the Performance of the Board of Directors and Functional Committee"</li> <li>◆ Approved fund lending to affiliates for short-term working capital needs</li> <li>◆ Approved credit limit applications from financial institutes.</li> </ul>

(12) Key content of any Director expressing objections or reservations on BoD resolutions that were recorded or with written statements: no such objection was reported in the previous year and by the date of the report's publication.

(13) Resignation or discharge of personnel responsible for the Company's financial reporting:  
No personnel change of the Company's Chairman, President, head of accounting department, CFO, chief internal auditor, internal audit officer, and head of R&D department in the previous year and by the date of the report's publication.

#### 4. Information of CPA Audit Fee

(1) Detailed disclosure of audit and non-audit fee and the scope of non-audit service if the amount of non-audit fees paid to a CPA, a CPA firm, and its affiliates exceeds a quarter of the audit fee:

Accounting Firm	Name of CPA		CPA's Audit Period	Remarks
KPMG Taiwan	Wan-Wan Lin	Liu-Feng Yang	2019/1/1-2019/12/31	-

Fee Range \ Fee Items		Audit Fee	Non-Audit Fee	Total
1	Below NT\$2,000,000	-	-	-
2	NT\$2,000,000-NT\$3,999,999	-	✓	✓
3	NT\$4,000,000- NT\$5,999,999	-	-	-
4	NT\$6,000,000- NT\$7,999,999	-	-	-
5	NT\$8,000,000- NT\$9,999,999	-	-	-
6	NT\$10,000,000 and above	✓	-	✓

(expressed in NT\$ thousand)

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Remarks
			System Design	Company Registration	Human Resources	Others	Subtotal		
KPMG Taiwan	Wan-Wan Lin Liu-Feng Yang	12,120	-	-	-	2,640	2,640	2019/01/01- 2019/12/31	Note 1

Note 1: Neither CPAs nor the CPA firm have/has been changed this year.

Note 2: Audit fee: main services include the audit and certification fees for annual financial statements and tax reports.

Note 3: Non-audit fee: main services include consulting fees for investment projects in mainland China, holding structure adjustments, and the consulting fees for the Master File (MF) and tax.

- (2) Detailed disclosure of changes on audit fees in terms of amount, proportion and reasons if change on CPA firm and the audit fees paid for the year of change decreased from the previous year: NA.
- (3) Detailed disclosure of audit fees in terms of amount, proportion and reasons if the amount of audit fees decreased by 15% or more from the previous year: NA.

## 5. Information on Change of CPA

To maintain legal compliance and accountant independence and to support the internal rotation system of KPMG Taiwan, the original CPAs, Zhong-Yi Jiang and Liu-Feng Yang of KPMG Taiwan, were replaced with CPAs Wan-Wan Lin and Liu-Feng Yang of KPMG Taiwan as of Q1 2016.

## 6. Chairman, President and/or Management Team in Charge of Finance or Accounting Who Has Served at CPA Firm(s) or Affiliate(s) In The Previous Year: NA

## 7. Net Change in Shareholding or Shares Pledged by Directors, Management Team, and Shareholders with 10% Shareholdings or More

- (1) Changes in Shareholdings of Directors, Management Team, and Shareholders with 10% Shareholdings or More:

Unit: Shares

Title	Name	2019		As of Apr. 21, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & Shareholder with	Barry Lam	0	0	0	0

over 10% shareholding					
Vice Chairman & President	C.C. Leung	0	0	0	0
Director & EVP	C.T. Huang	0	0	0	0
Director & SVP	Tim Li	0	0	0	0
Independent Director	Dr. Wei-Ta Pan	0	0	0	0
Independent Director	Hung Ching Lee (elected on 6/21/2019)	0	0	0	0
Independent Director	Dr. Pisin Chen	0	0	0	0
EVP	Alan Tsai	0	0	0	0
SVP	C.S. Yang	0	0	0	0
SVP	Mike Yang	0	0	0	0
SVP	Alan Chai	0	0	0	0
SVP & CFO	Elton Yang	0	0	0	0
VP	Steve Cheng	0	0	0	0
VP	Roger Huang	0	0	0	0
VP	Michelle Hsieh	0	0	0	0
VP	Brand Chang	0	0	0	0
VP	J.J. Wei	0	0	0	0
VP	Danny Lin	0	0	0	0
VP	Terrisa Chung	0	0	0	0
VP	Jimmy Chin	0	0	0	0
VP	Ted Chang	0	0	0	0
VP	W.L. Sung	0	0	0	0
VP	Thomas Tsou	164 0	0	0	0
VP	James Jau	0	0	0	0
VP	J.C. Tzeng	0	0	0	0
VP	Bruce Wu	0	0	0	0
VP	Jonny Hsu	0	0	0	0
VP	Tony Tan	0	0	0	0
VP	Peter Hsieh	0	0	0	0
VP	Michael Wu (appointed on 03/01/2019)	0	0	0	0
VP	Frank Chuang (appointed on 04/17/2019)	0	0	0	0
VP	Robin Chou (appointed on 04/17/2019)	0	0	0	0
VP	Vincent Yuan (appointed on 01/13/2020)	0	0	0	0
Internal Audit Officer	Tracy Li (appointed on 05/14/2019)	0	0	0	0
Shareholders With 10% Shareholdings or More	Chien Yu Investment Co Ltd	0	65,000,000 0	0	0
SVP	Jacky Long (resigned on 01/01/2019)	0	0	0	0
Independent Director	Chi-Chih Lu (resigned on 06/21/2019)	0	0	0	0

(2) Transfer of Shares: NA

(3) Pledge of Shares:



Name	Reasons for pledge	Date of changes	Trading party	Relationship between transferred parties to the Company's Directors, supervisors, management team & shareholders holding more than 10%	Shares	Shareholding %	Shares pledged %	Mortgaged or pledged amount
Chien Yu Investment Co Ltd	Pledge	07/23/2019	Taipei Fubon Commercial Bank Co., Ltd.	None	65,000,000	14.82%	11.36%	-

## 8. Related Party Relationships Among Top Ten Shareholders

As of 04/21/2020

Unit: shares

No.	Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
		Shares	%	Shares	%	Shares	%	Name	Relationship	
1.	Chien Yu Investment Co., Ltd. Chairman: Barry Lam	572,401,374	14.82%	-	-	-	-	Barry Lam	Barry Lam serves as the Company's Chairman	-
		415,738,138	10.76%	11,157,506	0.29%	4,400,000	0.11%			
2.	Barry Lam	415,738,138	10.76%	11,157,506	0.29%	4,400,000	0.11%	Chien Yu Investment Co., Ltd.	Barry Lam serves as the Company's Chairman	-
3.	Government of Singapore	121,168,232	3.14%	-	-	-	-	NA	-	-
4.	Cathay Life Insurance Co., Ltd. Chairman: Hong-Tu Tsai	119,120,000	3.08%	-	-	-	-	NA	-	-
		-	-	-	-	-	-	NA	-	-
5.	New Labor Pension Fund	97,833,014	2.53%	-	-	-	-	NA	-	-
6.	Fubon Life Insurance Chairman: Richard M. Tasi	84,949,000	2.20%	-	-	-	-	NA	-	-
		-	-	-	-	-	-	NA	-	-
7.	C.C. Leung	82,645,736	2.14%	-	-	-	-	Yi Chia Xin Investment Company Ltd.	C.C. Leung serves as the Company's Supervisor	-
8.	Nan Shan Life Insurance Co., Ltd. Chairman: Ying-Tzong Tu	81,195,000	2.10%	-	-	-	-	NA	-	-
		-	-	-	-	-	-	NA	-	-
9.	He Sa Trust	80,000,000	2.07%	-	-	-	-	NA	-	-
10.	Yi Chia Xin Investment Company Ltd.	66,182,804	1.71%	-	-	-	-	C.C. Leung	C.C. Leung serves as the Company's Supervisor	-

## 9. Ownership of Shares in Affiliated Enterprises

Unit: thousand shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
QCJ Corp.	-	100.00%	-	-	-	100.00%
Quanta International Ltd.	72,484	100.00%	-	-	72,484	100.00%
WK Technology Fund VI	10,838	21.43%	-	-	10,838	21.43%
Quanta Storage Inc.	82,882	29.78%	1,212	0.44%	84,094	30.22%
Quanta Venture Capital Co., Ltd.	100,000	100.00%	-	-	100,000	100.00%
CAM-CID Asia Pacific Investment Corp.	49	27.50%	-	-	49	27.50%
Quanta Computer Technology Investment Corp.	60,000	100.00%	-	-	60,000	100.00%
Quanta Micro-System Inc.	17,500	75.19%	5,775	24.81%	23,275	100.00%
RoyalTek Company Ltd.	18,604	36.76%	409	0.81%	19,013	37.57%
Quanta Cloud Technology Inc.	28,199	99.99%	-	-	28,199	99.99%
EBN Technology Corp.	8,375	25.00%	1,000	2.98%	9,375	27.98%
TechView International Technology Inc.	-	26.40%	-	-	-	26.40%
Plentylink Technology Co., Ltd.	3,150	17.50%	3,150	17.50%	6,300	35.00%
THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	94,879	83.16%	19,218	16.84%	114,097	100.00%
Quantum Optoelectronics Inc.	1,750	20.00%	1,750	20.00%	3,500	40.00%
QT Medical, Inc.	1,666	14.24%	-	-	1,666	14.24%
QMB Co., Ltd.	400,000	100.00%	-	-	400,000	100.00%

## IV. Fund Raising

### 1. Capitals and Shares

#### (1) Sources and Types of Capital

##### i. Sources and types of capital

Date	Face Value Per Share	Authorized Capital		Paid-In Capital		Capital Sources (NT\$ Thousand)				Capital Stock Offset With Non-Cash Assets	Others
		Shares (1,000)	Amount (NT\$1,000)	Shares (1,000)	Amount (NT\$1,000)	Capital Increase By Cash	Recapitalization of Earnings	Capital Surplus	Recapitalization of Convertible Bonds		
1991.09	10	41,000	410,000	41,000	410,000	85,000	145,000	0	0	NA	NA
1993.07	10	50,020	500,200	50,020	500,200	0	90,200	0	0	NA	NA
1995.06	10	105,000	1,050,000	105,000	1,050,000	49,600	500,200	0	0	NA	NA
1997.06	10	210,000	2,100,000	210,000	2,100,000	105,000	945,000	0	0	NA	NA
1998.05	10	1,000,000	10,000,000	428,000	4,280,000	0	2,180,000	0	0	NA	NA
1999.05	10	1,500,000	15,000,000	1,158,000	11,580,000	0	7,300,000	0	0	NA	NA
1999.06	10	1,500,000	15,000,000	1,159,450	11,594,500	14,500	0	0	0	NA	NA
2000.05	10	2,000,000	20,000,000	1,642,000	16,420,000	0	4,825,500	0	0	NA	NA
2001.07	10	2,500,000	25,000,000	2,082,500	20,825,000	0	4,405,000	0	0	NA	NA
2002.04	10	2,500,000	25,000,000	2,104,520	21,045,201	0	0	0	220,201	NA	NA
2002.06	10	2,800,000	28,000,000	2,461,842	24,618,428	0	3,556,780	0	16,447	NA	NA
2003.06	10	3,500,000	35,000,000	2,746,027	27,460,271	0	2,841,843	0	0	NA	NA
2003.12	10	3,500,000	35,000,000	2,796,027	27,960,271	500,000	0	0	0	NA	NA
2004.01	10	3,500,000	35,000,000	2,799,174	27,991,739	0	0	0	31,468	NA	NA
2004.05	10	3,500,000	35,000,000	2,799,574	27,995,737	0	0	0	3,998	NA	NA
2004.07	10	3,500,000	35,000,000	3,119,503	31,195,029	0	3,199,292	0	0	NA	NA
2004.08	10	3,500,000	35,000,000	3,107,250	31,072,499	0	(122,530)	0	0	NA	NA
2005.03	10	3,500,000	35,000,000	3,046,970	30,469,699	0	(602,800)	0	0	NA	NA
2005.07	10	3,500,000	35,000,000	3,239,318	32,393,184	0	1,923,485	0	0	NA	NA
2006.04	10	3,500,000	35,000,000	3,253,598	32,535,984	0	0	0	0	NA	Shares exchange 14,280,000 shares

2006.07	10	3,800,000	38,000,000	3,363,008	33,630,080	0	1,047,864	0	0	NA	Shares exchange 4,623,000 shares
2007.07	10	4,000,000	40,000,000	3,475,268	34,752,682	0	1,122,602	0	0	NA	NA
2008.07	10	4,000,000	40,000,000	3,475,268	36,495,262	0	1,742,580	0	0	NA	NA
2009.03	10	4,200,000	42,000,000	3,610,725	36,107,252	0	(388,010)	0	0	NA	NA
2009.07	10	4,200,000	42,000,000	3,684,051	36,840,507	0	733,255	0	0	NA	NA
2009.10	10	4,200,000	42,000,000	3,725,632	37,256,324	0	0	0	415,817	NA	NA
2010.01	10	4,200,000	42,000,000	3,781,976	37,819,761	0	0	0	563,437	NA	NA
2010.05	10	4,200,000	42,000,000	3,809,358	38,093,577	0	0	0	173,256	NA	Employee stock option/warrant exchange 10,056,000 shares
2010.07	10	4,600,000	46,000,000	3,832,476	38,324,764	0	0	0	224,027	NA	Employee stock option/warrant exchange 716,000 shares
2010.11	10	4,600,000	46,000,000	3,832,833	38,328,334	0	0	0	0	NA	Employee stock option/warrant exchange 357,000 shares
2011.02	10	4,600,000	46,000,000	3,833,873	38,338,734	0	0	0	0	NA	Employee stock option/warrant exchange 1,040,000 shares
2011.05	10	4,600,000	46,000,000	3,839,402	38,394,024	0	0	0	0	NA	Employee stock option/warrant exchange 5,529,000 shares
2011.09	10	4,600,000	46,000,000	3,840,148	38,401,484	0	0	0	0	NA	Employee stock option/warrant exchange 746,000 shares
2011.11	10	4,600,000	46,000,000	3,840,778	38,407,784	0	0	0	0	NA	Employee stock option/warrant exchange 630,000 shares
2012.02	10	4,600,000	46,000,000	3,841,059	38,410,594	0	0	0	0	NA	Employee stock option/warrant exchange 281,000 shares
2012.05	10	4,600,000	46,000,000	3,845,562	38,455,624	0	0	0	0	NA	Employee stock option/warrant exchange 4,503,000 shares
2012.09	10	4,600,000	46,000,000	3,846,860	38,468,604	0	0	0	0	NA	Employee stock option/warrant exchange 1,298,000 shares
2012.11	10	4,600,000	46,000,000	3,847,881	38,478,814	0	0	0	0	NA	Employee stock option/warrant exchange 1,021,000 shares
2013.02	10	4,600,000	46,000,000	3,848,747	38,487,474	0	0	0	0	NA	Employee stock option/warrant exchange 866,000 shares
2013.05	10	4,600,000	46,000,000	3,850,018	38,500,184	0	0	0	0	NA	Employee stock option/warrant exchange 1,271,000 shares
2013.09	10	4,600,000	46,000,000	3,854,258	38,542,584	0	0	0	0	NA	Employee stock option/warrant exchange 4,240,000 shares

2013.11	10	4,600,000	46,000,000	3,855,344	38,553,444	0	0	0	0	NA	Employee stock option/warrant exchange 1,086,000 shares
2014.03	10	4,600,000	46,000,000	3,862,627	38,626,274	0	0	0	0	NA	Employee stock option/warrant exchange 7,283,000 shares

Note: Capital increases listed in above table have been approved by the Securities and Futures Commission, Ministry of Finance, as shown in the following approval letters:

1990/12/26 (79) Tai-Cai-Zheng-(1) No. 03552 (retroactive filing for public issuance)

1991/09/02 (80) Tai-Cai-Zheng-(1) No. 02501 (base date of this capital increase was 1991/9/20)

1993/07/15 (82) Tai-Cai-Zheng-(1) No. 30231

1995/06/29 (84) Tai-Cai-Zheng-(1) No. 37781

1997/06/27 (86) Tai-Cai-Zheng-(1) No. 51336

1998/05/02 (87) Tai-Cai-Zheng-(1) No. 37138

1999/05/24 (88) Tai-Cai-Zheng-(1) No. 48522 (base date of this capital increase was 1999/6/20)

1999/06/24 (88) Tai-Cai-Zheng-(1) No. 55504 (subscription base date of this capital increase was 1999/7/31)

2000/05/26 (89) Tai-Cai-Zheng-(1) No. 46309 (subscription base date of this capital increase was 2000/6/19)

2001/07/04 (90) Tai-Cai-Zheng-(1) No. 142650 (subscription base date of this capital increase was 2001/7/30)

2002/04/26 registration change was approved by the Ministry of Economic Affairs

2002/06/18 Tai-Cai-Zheng-1 No. 0910133020, registration change was approved by the Ministry of Economic Affairs on 2002/8/15

2003/06/24 Tai-Cai-Zheng-1 No. 09200127894, base date of new share issuance of this capital increase was 2003/7/19

2003/11/03 Tai-Cai-Zheng-1 No. 0920145116

2003/12/22 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase through GDR issuance was 2003/11/26

2004/01/15 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2003/12/28

2004/05/25 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2004/4/27

2004/07/06 Securities and Futures Bureau, Tai-Cai-Zheng-1 No. 09300129786, base date of this capital increase through new share issuance was 2004/8/7

2004/09/02 registration change was approved by the Ministry of Economic Affairs, including the number of treasury shares bought back, cancellation of capital at NT\$122,530,000, capital reduction base date was 2004/8/5.

2005/03/02 registration change was approved by the Ministry of Economic Affairs, including the number of treasury shares bought back, cancellation of capital at NT\$602,800,000, capital reduction base date was 2005/2/14

2005/06/24 Securities and Futures Bureau, Jin-Guan-Zheng-1-Zi No. 0940125283, base date of this capital increase through new share issuance was 2005/8/9

2006/04/20 FSC, Jin-Guan-Zheng-1-Zi No. 0950112433, base date of exchange of this share transfer was 2006/4/26

2006/07/06 FSC, Jin-Guan-Zheng-1-Zi No. 0950128939, base date of this capital increase through new share issuance was 2006/8/9

2006/07/14 FSC, Jin-Guan-Zheng-1-Zi No. 0950129207, base date of exchange of this share transfer was 2006/8/2

2007/07/13 FSC, Jin-Guan-Zheng-1-Zi No. 0960036524, base date of this capital increase through new share issuance was 2007/8/14

2008/07/01 FSC, Jin-Guan-Zheng-1-Zi No. 0970032690, base date of this capital increase through new share issuance was 2008/8/4

2009/03/06 registration change was approved by the Ministry of Economic Affairs, including the number of treasury shares bought back, cancellation of capital at NT\$388,010,000, capital reduction base date was 2009/2/20

2009/07/07 FSC, Jin-Guan-Zheng-1-Zi No. 0980033661, base date of this capital increase through new share issuance was 2009/8/7  
2009/10/16 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2009/9/29  
2010/01/06 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2009/12/15  
2010/05/19 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2010/3/30  
2010/08/13 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2010/7/29  
2010/11/19 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2010/9/30  
2011/02/20 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2010/12/24  
2011/05/23 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2011/3/31  
2011/09/20 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2011/6/30  
2011/11/11 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2011/9/29  
2012/02/23 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2011/12/27  
2012/05/08 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2012/3/27  
2012/09/11 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2012/6/30  
2012/11/16 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2012/9/30  
2013/02/18 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2012/12/17  
2013/05/14 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2013/3/26  
2013/09/04 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2013/6/30  
2013/11/27 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2013/9/30  
2014/03/03 registration change was approved by the Ministry of Economic Affairs, base date of this capital increase was 2013/12/30

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Unissued Stock	Total	
Common	3,862,627,432	737,372,568	4,600,000,000	Note
Total	3,862,627,432	737,372,568	4,600,000,000	-

Note 1: Above shares have been publicly offered.

Note 2: Unissued stock includes 100 million shares of employee options/warrants.

Note 3: No preferred share was issued.

ii. Shelf-Registration: NA.

(2) Structure of shareholdings

2020/4/21

Item	Government Agencies	Financial Institutions	Other Institutional Investors	Foreign Institutions and Individuals	Domestic Natural Persons	Treasury Stock	Total
Number of shareholders	2	59	336	925	79,820	0	81,142
Shareholdings	660,100	629,674,441	1,151,913,212	1,007,675,496	1,072,704,183	0	3,862,627,432
Percentage (%)	0.02%	16.30%	29.82%	26.09%	27.77%	0.00%	100.00%



### (3) Shareholding Distribution Status

2020/4/21

Class of Shareholding	Number of Shareholders	Shareholdings	Percentage (%)
1 - 999	23,647	4,907,663	0.13%
1,000 - 5,000	44,202	94,026,586	2.43%
5,001 - 10,000	7,088	53,169,758	1.38%
10,001 - 15,000	2,045	25,597,722	0.66%
15,001 - 20,000	1,170	21,453,897	0.56%
20,001 - 30,000	991	25,166,752	0.65%
30,001 - 40,000	399	14,208,343	0.37%
40,001 - 50,000	282	13,133,564	0.34%
50,001 - 100,000	475	34,201,047	0.89%
100,001 - 200,000	266	38,280,611	0.99%
200,001 - 400,000	175	51,305,031	1.33%
400,001 - 600,000	88	43,949,193	1.14%
600,001 - 800,000	46	31,788,229	0.82%
800,001 - 1,000,000	35	32,043,205	0.83%
1,000,001 and above	233	3,379,395,831	87.48%
Total	81,142	3,862,627,432	100.00%

### (4) List of Major Shareholders

2020/4/21

No.	Shareholder's Name	Shareholdings	Percentage (%)
1	Chien Yu Investment Co., Ltd.	572,401,374	14.82%
2	Barry Lam	415,738,138	10.76%
3	Government of Singapore	121,168,232	3.14%
4	Cathay Life Insurance Co., Ltd.	119,120,000	3.08%
5	New Labor Pension Fund	97,833,014	2.53%
6	Fubon Life Insurance	84,949,000	2.20%
7	C.C. Leung	82,645,736	2.14%
8	Nan Shan Life Insurance Co., Ltd.	81,195,000	2.10%
9	He Sa Trust	80,000,000	2.07%
10	Yi Chia Xin Investment Company Ltd.	66,182,804	1.71%

(5) Market Price, Net Worth, Earnings and Dividends Per Share

(Unit: NT\$ and 1,000 shares)

Item		Year	2018	2019	2020/01/01-2020/03/31
Market Price per Share	Highest		65.20	64.90	65.20
	Lowest		47.00	51.20	50.70
	Average		54.31	58.20	61.49
Net Worth per Share	Before Distribution		35.00	35.19	(note 6)
	After Distribution		31.44	(note 1)	(note 6)
Earnings Per Share	Unadjusted	Weighted Average Shares	3,854,519	3,854,519	(note 6)
		EPS	3.92	4.14	(note 6)
	Adjusted	Weighted Average Shares	3,854,519	(note 1)	(note 6)
		EPS	3.92	(note 1)	(note 6)
Dividend Per Share	Cash Dividends		3.55	(note 1)	(note 6)
	Stock Dividends	Retained Earnings	0	(note 1)	(note 6)
		Capital Surplus	0	(note 1)	(note 6)
	Accumulated Undistributed Dividends <sup>2</sup>		0	(note 1)	(note 6)
Return on Investment	Price/Earnings Ratio <sup>3</sup>		13.85	14.06	(note 6)
	Price/Dividend Ratio <sup>4</sup>		15.30	(note 1)	(note 6)
	Cash Dividend Yield Rate <sup>5</sup>		6.54%	(note 1)	(note 6)

Note 1: The BoD has not approved the proposed allocation of distributable earnings for the year.

Note 2: If there's any accumulated undistributed dividends, disclose the accumulated unpaid amount.

Note 3: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 4: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 5: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 6: The financial report is under auditors review.

(6) Dividend Policy and Implementation Status

i. Dividend policy as per Company's Articles of Incorporation:

Article 27-1 of the Articles of Incorporation was amended as per Article 235-1 of the Company Act, amendment is shown as follows:

Article 27-1: When allocating net income after tax for each fiscal year, this Corporation shall first offset its accumulated losses and set aside 10% as legal reserve, until the accumulated legal capital reserve has equaled the total capital of the Corporation; Then set aside special capital reserve which could be appropriated in accordance with relevant laws and regulations or business operation needs, if necessary. Distribution plan of the remainder surplus, together with the undistributed surplus in the beginning of the year, shall be proposed by the Board of Directors and submitted to the shareholders meeting for their recognition.

The allocation of net profits will be decided by the Corporation in the aspects of its financial, business and operation status. Distribution amount shall not be lower than 10% of the distributable surplus. Such distribution may be made in ways of cash dividend and/or stock dividend, and preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio of stock dividend may not exceed 50% of the total distribution.

ii. Allocation of distributable earnings at current AGM

The FY2019 allocation of distributable earnings proposal has been approved by the FY2020 BoD as follows:

- A. Type and value of dividends distribution:  
 Stock dividend: NT\$0 per share.  
 Cash dividend: NT\$3.70 per share (cash dividends NT\$14,291,721,000)
- B. Should the ratio of distribution be adjusted in response to regulatory changes, request from competent authorities or resolved by BoD to buy back treasury stocks, the Chairman is authorized to make necessary adjustments.
- C. Upon approval from AGM, the BoD is authorized to set a base date for distribution.

iii. Expectation of significant changes in Company's dividend policy: NA

(7) Impacts from current dividend distribution on Company's operations, EPS, and ROI: NA.

As no stock dividend distribution is planned for current period and financial forecast for FY2020 is not disclosed, it is not applicable to provide estimates on profit, loss, EPS, or any other assumptive data.

(8) Remuneration for Employees and Directors:

i. Percentage or scope of remuneration for employees and Directors specified in the Articles of Incorporation:

Article 27 of the Articles of Incorporation stipulates that: "When allocating profits for each fiscal year, this Corporation shall set aside no less than two percent (2%) of the profit as employees' bonus and the remuneration of Directors shall be no more than 2%. However, the Company should set aside a portion of the profit to offset its accumulated losses first.

Employee bonus as prescribed in the preceding paragraph is distributed in the form of stocks or cash, the employees qualified for such distribution may include the employees of subsidiaries of this Corporation specified by the Board of Directors. The remuneration of Directors as prescribed in the preceding paragraph shall be distributed in cash."

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

- A. The basis for estimating the amount of employees and Directors compensation is calculated in accordance with details specified in the Articles of Incorporation.
- B. The basis for calculating the number of shares as dividends is subject to closing price a day prior to AGM resolution and take into account of impacts from ex-rights and ex-dividends. Compensation for employees less than one share shall be distributed in cash.
- C. Any difference between the actual amount of distribution resolved by AGM and the estimated amount of distribution shall be considered as variation in accounting estimate and recorded through income statement in the year paid.

iii. Information on the proposal of remuneration distributions resolved by BoD:

- A. The FY2019 Remuneration for employees and Directors is estimated at NT\$ 1,464,876,000 and NT\$42,000,000 respectively. The amount shall be calculated based on net profit before tax of the respective periods before deducting the amount of remuneration for employees and Directors, then multiply by the percentage of remuneration for employees and Directors specified in the Articles of Incorporation. The

amount is reported as cost of operation or operating expenses for FY2019. Any difference between the actual amount of distribution and the estimated amount of distribution shall be considered as a variation in accounting estimate and adjusted as profit and loss in the following year.

The proposal for FY2019 distributable earnings has been approved by FY2020 BoD meeting. The distribution plan for employees' bonus is calculated based on the most recent financial statements, which is no different from the original estimate. The estimated and the resolved distribution plan for Directors' remuneration are \$42,000,000 and \$14,000,000 respectively. The difference of \$28,000,000 will be treated as variation in accounting estimates and adjusted as profit and loss in the following year.

B. The proposed amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the company's unconsolidated financial reports or individual financial reports for the current period, and the amount as a percentage of the total employee compensation:  
No stock compensation proposed for employees.

C. Estimated EPS after the distribution of compensation for employees and Directors:  
Given compensation for employees and Directors has been recorded as expenses, the estimated EPS after the distribution of compensation for employees and Directors remains unchanged at NT\$4.14

iv. Actual amount of remuneration distribution for employees and Directors in the previous year:  
FY2018 remuneration for employees and Directors was NT\$1,364,914,000 and NT\$42,000,000 respectively. There was no difference from the estimated amount.

#### (9) Stock Buyback

No stock buyback was recorded in the previous year and by the date of the report's publication.

#### 2. Issuance of Corporate Bonds: NA

#### 3. Issuance of Preferred Shares: NA

#### 4. Issuance of Global Depositary Receipts (GDRs)

Date of issuance	2003/11/26
Item	
Period of Issuance	2003/11/26 to 2003/12/15
Place of Issuance and Transaction	Place of issuance: Europe, Asia, and America Place of transaction: Luxembourg Stock Exchange (LuxSE)
Total Amount of Issuance	US\$162,219,000, including new shares issued for capital increase in cash at US\$117,550,000, the amount of issued shares is US\$44,669,000.
Unit Issuing Price	US\$11.755
Total Units of Issuance	13,800,000 units
Securities Representing Sources	Combined issuance of new shares issued for capital increase and existing shares held by shareholders.
Securities Representing Amount	Each unit of GDR represents five common shares of the Company. The GDR issued represents a total of 69,000,000 common shares of the Company, including 50,000,000 new shares issued for capital increase and 19,000,000 issued shares. Price per share: equivalent to NT\$80/share.

Rights and Obligations of GDR Holders			<p>The rights and obligations of GRD holders are subject to relevant laws and regulations of the Republic of China and provisions specified in the GDR contract. Principal provisions of the GDR contract include the following:</p> <ol style="list-style-type: none"> <li>1. Exercise of Voting Powers: GDR holders may exercise the same voting rights as those of common shareholders as stipulated in GDR contract and regulations of the Republic of China.</li> <li>2. Redemption of GDRs: GDR holders may request redemption and hand over equivalent number of common shares represented by GDR after five business days of issuance according to laws and regulations of the Republic of China and provisions specified in GDR contract. GDR holders may also request depository institution to sell equivalent number of common shares represented by GDR. When a GDR holder requests redemption and hand over equivalent number of common shares represented by GDR, the depository institution shall deliver shares through transferring using the depository booklet.</li> <li>3. Dividend Distribution, Priority Right of New Shares Acquisition, and Other Rights: Should Quanta Computer distributes stock dividends or makes other allotments in the future, the depository institution may issue GDRs to the original holders at the original ratio they represent or raise the number of common shares that each unit of GDR represents. However, according to the US securities laws and other regulations, issuers shall register to or apply for a permit from the United States Securities and Exchange Commission (SEC) in advance. The depository institution may then sell shares represented by the GDRs of holders and distribute pro rata the income from GDR sales to GDR holders.</li> </ol> <p>When Quanta Computer issues capital increase by cash or similar activity, the depository institution shall grant related rights to GDR holders within the scope allowed by law. However, according to the US securities laws and other regulations, issuers shall register to or apply for a permit from the United States Securities and Exchange Commission (SEC) prior to issuing new GDRs. In this case, the depository institution may sell the rights represented by the GDRs of holders and distribute pro rata the income from GDR sales to GDR holders.</p>
Trustee			NA
Depository Institution			Citi Bank
Custodian Institution			Citi Bank Taipei Branch
Outstanding Balance			1,458,108 units (as of 2020/03/31)
Treatment of Expenses Incurred At Issuance And Thereafter			<ol style="list-style-type: none"> <li>1. GDR Issuance Fees Unless other agreements between the issuer and underwriter or depository institution otherwise required, all fees including legal consul fee, CPA fee, public offering fee, financial consultant fee, and any other related fees. Such fees shall be amortized by the issuing company and shareholder participants according to the actual shares issued.</li> <li>2. Expenses incurred after issuance Unless other agreements between the issuer and depository institution otherwise required, the issuing company shall be responsible for public offering fee, information disclosure fee, and all other related fees.</li> </ol>
Important Conventions About Depository and Escrow Agreement			The depository institution performs the obligations for GDR holders, while the guarantee agency holds the GDR common shares.
Market Price Per Unit	2019	Highest	10.73
		Lowest	8.25
		Average	9.39
		Highest	10.86

	Current year to 2019/03 /31	Lowest	8.49
		Average	10.27

#### **5. Employee Stock Options**

No employee stock options or warrants were issued in the previous year and by the date of the report's publication.

#### **6. Employee Restricted Stock**

No employee restricted stock was issued in the previous year and by the date of the report's publication.

#### **7. New Share Issuance in Connection with Mergers, Acquisitions, and Transfer of Shares**

No such issuance was reported in the previous year and by the date of the report's publication.

#### **8. Financing Plans and Implementations**

- (1) Status of unfinished issuance or private placement of securities: NA
- (2) For financing plans that were completed in the previous quarter before the date of the report's publication or in the most recent three years but have not yet fully yielded the planned benefits: NA

## V. Business Activities

### 1. Business Scope

#### (1) Scope of business

##### i. Major Business Operations

Established in May 1988, Quanta Computer is a one of the Global Fortune 500 Companies and also one of the world's leading notebook manufacturers. Aside from our leadership position in notebook manufacturing business, we have extended our reach to cloud computing business, enterprise network solutions, mobile communications products, smart home products, autotronics, smart healthcare, IoT, and AI applications to proactively expand the integrated deployment of our operation and explore new business opportunities. Aside from receiving positive recognition from customers on Quanta's R&D capabilities on various projects, the Company was also recognized for Derwent Top 100 Global Innovators in 2019 and 2020, allowing us to implement various innovations and business opportunities with our R&D capacity and patent commercialization in the future.

##### ii. Consolidated Revenue Breakdown:

FY2020 major products revenue contribution is tabulated below:

Industry Sector	Product Category	Revenue Contribution (%)
Electronics	Computer products	97.93%
	Other electronics	2.07%
Total		100.00%

##### iii. New Product Development:

With respect to user demands and future development of technology trends, we research and develop new products in the following areas: "Mobile Computing Solutions", "Cloud Computing and Enterprise Network Solutions", "Smart Healthcare Solutions", "Telecommunication Next Generation Central Office (NGCO) Solutions", "Smart Manufacturing and Smart Factory Solutions", as well as "AR/VR Solutions".

New products development in various areas include:

#### 1. Mobile Computing Solutions:

Enable users to connect to the Internet from anywhere and at any time, to synchronize data ubiquitously with various mobile devices and peripherals, such as notebook PCs and various smart mobile computing terminals. By integrating the key technology in wireless telecommunication networks and the Internet, we develop System On Chips (SOCs) suitable for the wireless communication of notebook PCs, Wireless Local Area Network (WLAN) peripherals, wireless multimedia devices, and wireless information home appliances. We further develop small cells, millimeter microwave, sub-6G Hz access points, and Internet connection for Customer Premise Equipment (CPE) pending on the 5G deployment schedule.

#### 2. Cloud Computing and Enterprise Network Solutions:

With the "public cloud" market as the foundation, we provide IT infrastructure solutions for hyperscale data centers worldwide. At the same time, as global IT solutions are trending towards cloud computing, we also develop solutions based

on the Open Source Architecture to meet enterprise demand for “private clouds” or “hybrid clouds” solutions.

We provide high-performance and high-capacity enterprise network systems that support different interfaces, package exchange among different layers, wired and wireless intranet and extranet connections, cybersecurity and firewalls, dynamic bandwidth and service quality management. These include the Just a Bunch of Disks (JBOD) product series, the Redundant Array of Independent Disks (RAID) product series, file server series, blade server series, and network switches, and rack architecture solutions.

3. Home Entertainment and Smart Home Solutions:

We develop home multimedia smart entertainment products that support various multimedia applications, including home media centers; smart touch input systems for laptops, desktops, and thin client terminals; smart IoT controllers; sensors; smart speakers; and private servers for home.

4. IoT Solutions:

Centered around users, we develop IoT solutions that connect technology to the daily life of people, including smart home gateways and sensor hubs that cover applications for wearable products, smart healthcare, and smart homes.

Wearable products include trackers that protect children’s safety and track locations of luggage or pets; smart watches, smart bracelets, and smart rings for personal healthcare management, and others.

Smart home products that connect technology to the daily life of people can improve living quality and protect home safety through smart home gateways to control home appliances and security systems at anywhere and anytime.

5. Smart Healthcare Solutions:

In response to the global demand for e-health and the global trend of low fertility rate and population ageing, we provide smart healthcare solutions for hospitals and homes through resources integration of Artificial Intelligence (AI) medical and IoT.

For smart hospitals, we continue to enhance the “smart ward cloud caring system” that includes “smart healthcare infotainment terminal”, “smart medical cart”, and “smart nurse station whiteboard”, and the corresponding private cloud platforms to seamlessly connect with the hospital’s existing healthcare IT systems.

For remote healthcare, we provide customized “smart tele-homecare system” based on different hospital needs that combines private cloud platform, machine learning, big data analysis, and software to form a complete tele-homecare and health management solution.

In response to the COVID-19 pandemic, we have adjusted the functions of the smart medical carts to integrate cloud computing technology to build an inter-hospital real-time collaborative diagnosis system.



In AIoMT (Artificial Intelligence of Medical Things), we have developed smart wearables and smart diagnostic devices such as the “smart ECG/EKG”, “smart wireless intraoral camera”, and “smart wireless otoscope” equipped with various autonomous management functions. By integrating Artificial Intelligence (AI), Augmented Reality (AR), And Virtual Reality (VR) technologies, these solutions offer scalability and value-added services based on actual needs of hospitals and homes through highly integrated hardware and software solutions and the cloud-based architecture. Massive clinical data is instantly integrated and analyzed with AI applications to assist in medical decisions, to enhance healthcare service efficiency, to reduce medical costs, to improve care quality, and thereby to create bigger long-term commercial value.

6. NGCO solutions for Telecommunication:

In response to the competition in the global deployment of commercial 5G, Quanta has long cultivated our development in the telecommunication cloud market, through teaming up with key technology partners in 5G ecosystem, we are able to realize the Next-Generation of Central Office (NGCO). Along with the development of Software-Defined Networking (SDN) and Network Function Virtualization (NFV), Quanta was able to enter the 5G ecosystem as a datacenter solution provider.

7. Smart Manufacturing and Smart Factory Solutions:

The smart manufacturing system is built with the essence of technology and innovation in manufacturing. We incorporated sensor hubs and smart industrial gateways within the manufacturing system, coupled with smart control system and integrated with cloud computing architecture. The system enables real-time connection and information exchange among different types of equipment and partners, in order to better capture the operations of factories and the flow of supply and demand, thereby to enhance production efficiency and quality.

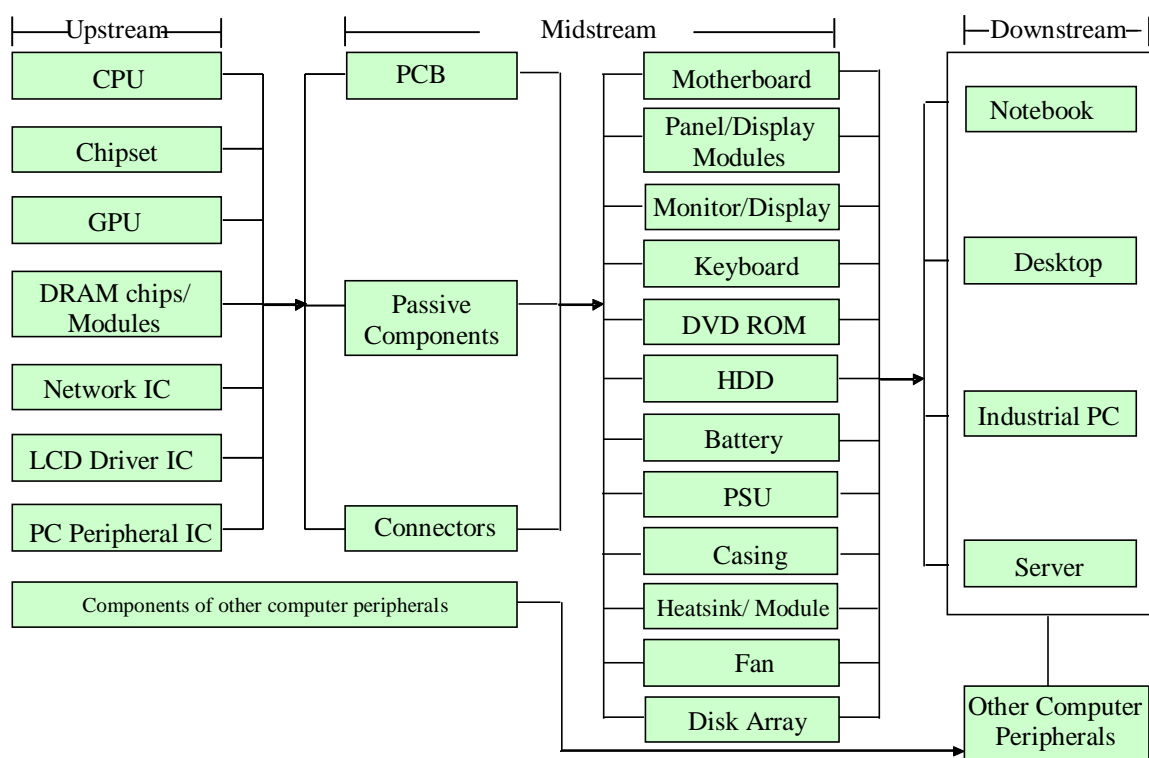
Factory manufacturing capacity, cost control, and quality control have always been our core competency. Following the development of Industrial 4.0, the application and innovation of big data and AI, and the integration and connection between cloud computing and IoT devices, we are committed to promoting smart manufacturing and smart factory to keep strengthening our core competitiveness and to incorporate technology from relevant industries to our product development. At the same time, the implementation of AI application in datacenter, edge computing, and IOT devices is also gradually booming.

8. AR/VR Display and Smart Glasses Solutions:

From desktops through notebook PCs to tablets, it is expected that smart glasses and Optical Head-Mounted Displays (OHMDs) will be the next-generation of computing platforms. Quanta started to invest in these technology ahead of its peers, including deployment of R&D resources and production in key optical modules for near eye display and the technology integration required for OHMD manufacture. Our target is to stay ahead of competitors in AR/VR fields.

After years of deployment, the production lines for AR head-mounted displays (HMDs) and optical modules have been completed and small volume production has also been shipped. We have also expanded the deployment of various technology platforms and cultivated relationships with vendors for core chips and waveguides, as well as branded customers to achieve our leadership position in the field of AR/VR applications.

## (2) Relationships with the Supply Chain:



### i. Product Development Trends and Competitions:

The lifecycle of notebooks (NBs) has entered its plateau period. Pure hardware upgrade can no longer stimulate replacement cycle, however, the market demand is still there. In the absence of a strong influence from macroeconomics and external factors, a mild fluctuation in annual NB shipment is expected.

Overall, due to the CPU supply constraint from Intel coupled with the uncertainty from the US–China trade war and expected cost increase from tariffs, profitability for NB OEM customers was impacted as a result. NB shipment in FY 2019 was relatively unstable and new topics on NB were also diminished. According to IDC estimates, global NB shipment is estimated at 170 million units in 2019.

In 2019, the percentage of NB models based on non-Intel platforms, such as AMD, Qualcomm, and MediaTek, increased to record high due to supply constraint of Intel's CPUs. As Intel's newly added production lines in the U.S. failed to fulfill its CPU constraint by the end of third quarter, coupled with continued strength from server

demand, supply of server CPUs enjoyed higher priority as unit price and profitability for server CPUs are much higher compared to that of PC CPUs, therefore, supply of PC CPUs was handicapped. Furthermore, there's bigger undersupply of Intel's mainstream 14nm CPUs, Comet Lake and Ice Lake, while the supply for Whisky Lake was also in constraint. Despite the production for 10nm Ice Lake was in mass production at last, the yield rate remained low.

The undersupply of Intel's mainstream NB CPUs for consecutive years has given rise to the market share of AMD and ARM based SoC. Market share of NBs with AMD CPUs rose to a new record high at 16.7% in 2019, while some branded NB customers have also increased shipment of Qualcomm 4G models and Chromebooks based on MediaTek solutions starting in Q4 2019. In the future, Apple, Qualcomm, and Microsoft are likely to launch cost-competitive ARM-based PCs with a supply chain and ecosystem comparable with that of the Intel x86 platforms to create new market segmentation.

In terms of personal PC shipment, both IDC and Canalsys pointed out that the total shipment of traditional PC, including desktops, notebooks, and workstations, is estimated at 266.6 million to 268.1 million units, ending the consecutive market decline since 2011 with a positive growth for the first time.

Overall speaking, the development of the global PC market is stable, except for the rapidly growing shipment in gaming-related products. According to Topology Research Institute, shipment of gaming-related products continues to escalate as the gaming industry thrives. In Q2 2019, global shipment of gaming desktops, notebooks, and monitors totaled 10.4 million units, or 16.5% YoY growth. The market of gaming desktops, notebooks, and monitors is expected to continue to grow in coming years. Reports from IDC also support this view and estimate that the total shipment of gaming desktops, notebooks, and monitors to reach 42.8 million units in 2019 and the market will continue to grow in the next five years to reach about 55.2 million units in 2023.

The overview of the PC market shows that all brands have captured the key in brand development in the consumer, commercial, workstation, and gaming markets. Having gone through years of market competition and restructuring, the position of branded companies become more mature and stable in market segmentation and the industry chain. Therefore, drastic changes in top PC brands ranking is highly unlikely in the future. The top three global PC brands in 2019 were: Lenovo, HP, and Dell.

In cloud computing market, according to the latest research from Synergy Research Group, the number of mega datacenter built by the end of 3Q 2019 increased to 504 units, way higher than the 403 units built in 2018 and even tripling the number in early 2013. Although the U.S. remains the major market for cloud computing and IoT datacenters, accounting for over 40% of total shipment, the growth rate in Europe, Middle East, Africa, and Asia-Pacific also remains high. China, Japan, England, Germany and Australia are the second most popular area, accounting for about 32% of the total shipment. In the last four quarters, new datacenters started operation in 15 different countries and regions, with the most number of datacenters added in the U.S., Hong Kong, Switzerland, and China. Among all mega datacenter providers, Amazon and

Microsoft had the most number of datacenters built in the last year, accounting for over 50% of the total, followed by Google and Alibaba.

The core of hyperscale data centers design, cloud IT architecture is characterized with agility, elasticity, serviceability, and innovation. We have always been dedicated in extending the design of hyperscale data centers to provide standardized data centers based on the open compute platform. We provide products with high efficiency, elasticity, reliability, manageability, serviceability, and optimization based on the service types and workloads of all data centers. According to international research institutes, the future trend of technology will be Cloud, Analytics, Mobile, and Social (CAMS). These trends will change the existing IT infrastructure, and all industries will naturally turn towards the development of smart cloud infrastructure and focus on strengthening the innovation and competitiveness of their own businesses.

The transformation of the telecommunications industry and the advent of the 5G era have attracted traditional communication technology providers and information technology providers to vie for the upcoming business opportunities. As the standard and technology of 5G mature, the popularization of smart devices and mobile communications networks continues to accelerate across the globe. While consumers are accustomed to use mobile telecommunication software, social media, and live streaming social video services through their smartphones and other smart devices, it is expected that all smart devices will perform data computing through mobile telecommunications networks. With the consumer's increasing demand for lower latency and larger bandwidth from mobile telecommunications networks, telecommunication operators will need to reduce the workload of core networks by relocating computing workloads to edge networks through the adoption of edge computing technologies and services, in order to fulfill the requirement of low latency in various applications for VR, AR, V2X, and IoT.

(3) Research and Development

i. R&D Expenses in The Year and by The Date of the Report's Publication:

(expressed in NT\$ thousand)

Year	Expense (A)	Revenue (B)	(A)/(B) %
FY2018	13,777,836	1,027,991,038	1.34%
FY2019	15,092,935	1,029,611,414	1.47%

Our FY2019 R&D expense was around NT\$15.1 billion, an increase of NT\$1.3 billion from NT\$13.8 billion in 2018 or 9.55% increase. R&D expenses as a percentage of revenue in these two years are 1.47% and 1.34% respectively.

Quanta's production and service locations are across Asia, North America, Latin America, Europe, and South East Asia. Our product lines are across information, communications, consumer electronics, and cloud computing areas. We also actively develop our R&D and manufacturing center in Taiwan, and integrate manufacturing sites in the U.S., Europe, and Asia, thereby achieving our strong competitiveness in global manufacturing and sales.

With innovation and R&D capabilities as our core competitive strength, we focus on the “New 3C” technologies and applications to continue to devote into Cloud Computing, Connectivity Technology, and Client Devices as the foundation of our development. We further integrate big data management to develop a complete ecosystem for Artificial Intelligence (AI) tools. We are devoted into becoming a leading system solution provider in all application fields of the AI economy. To realize “humanized automation service”, we actively engage in the development of innovative technology, including advanced and high-performance server technologies, integration of products and technology in quality improvement and IoT. We further extend our reach to emerging areas, including cloud computing solution, AI application, 5G next-generation telecommunication technology, smart wearable, smart home application, smart mobility, smart healthcare, and smart manufacturing. We cultivate new customers with customized solutions and provide customers with the best product and service value.

ii. Products and Technology Achievements:

Our R&D planning comprises three parts: Advanced R&D, Corporate R&D, and Business Unit R&D. Through synchronized development and integration in various aspects of technology, application, and products, we are able to maximize the R&D synergy. Advanced R&D focuses on long-term research & development in products that can be commercialized in three years or longer through collaboration with the academia to achieve academia-industry collaboration. Corporate R&D focuses on medium-term research development in products that can be commercialized in one and a half years to three-year’ time frame. Business Unit R&D focuses on short-term product planning that can be commercialized in less than one and a half years. Through comprehensive planning in long-term, medium-term, and short-term R&D, we hope to strengthen Quanta’s R&D capacity, in order to transform into a total system solution provider in various markets, including consumer electronic products, cloud computing, and vertical applications for commerce and industry.

In the development of cloud computing industry, we are actively engaged in the “Telecommunication Central Office 2.0 Solution” based on market demand. Three industry-leading infrastructure solutions below are introduced to accelerate the deployment and roll out of 5G Central Office to fulfill users’ demand for high-efficiency networks and low-latency applications and services. Such solutions would further reduce the capital expenditure (CAPEX) and operating expense (OPEX) for telecommunication operators and create greater competitiveness for customers.

1. The optimized QxStack NFV Infrastructure Platform that supports the telecommunication-organization-grade of Network Function Virtualization Infrastructure (NFVI) to assist telecommunication operators to deploy stable and flexible infrastructure, allowing the traditional network functions to relieve from proprietary hardware infrastructure and to realize software-defined network functions on standard servers, switches, and storages.
2. Given the need of massive deployment, operation, and maintenance of server racks for telecommunication 5G Central Office, we have developed the “QCT

Rackgo R Integrated Rack Solution” based on Intel’s Rack Scale Design (RSD) infrastructure and integrated the OpenStack automated deployment tools to achieve dynamic resources allocation pending on workload requirements.

3. Based on the open source infrastructure of Central Office Re-Architected as a Data Center (CORD), we have introduced the “CORD Ready POD Integrated Solutions” for use in Central Office and edge computing to address the need for diversified applications, services, and resources, providing flexible Central Office resources for deployment.

Adhering to our belief in constant “innovation” and “R&D”, we spare no effort to develop new technologies and products. In protection of intellectual property rights of our R&D efforts, we have applied for 6,807 patents by 2019 in Taiwan, the U.S., mainland China, Japan, and Europe and acquired 4,668 patents covering notebook PCs, servers, AI, big data, and cloud applications from mainland China, the U.S., England, France, Germany, and Japan.

#### (4) Short-Term and Long-Term Development

##### i. Short-Term Strategy

##### 1. Production and global deployment strategy

Our global deployment is centered around the principle of “Taiwan design, smart manufacturing, global logistics and sales”. We have built high-efficiency production sites in Taiwan, Shanghai, Changshu, Chongqing in mainland China, as well as Thailand. In order to maximize the effectiveness of mass production with centralized management and just-in-time distribution, we have established regional manufacturing sites and maintenance locations in Taiwan, the U.S., and Europe to complete the top-down integration and gradually accelerate the adoption of automation and smart manufacturing in our production sites. Therefore, we can achieve the goal of effective cost control and production that meet the economies of scale. Furthermore, by teaming with overseas production sites, we provide services with proximity to customers and market, and assemble products with flexibility based on different customer requirements. Doing so would allow us to shorten production lead-time, reduce transportation cost, and to meet the actual needs of customers.

##### 2. Product development strategy

Aside from notebook PCs that have entered its maturity, we spare no effort to expand existing product lines and market share. Going forward, the Company will focus on cloud computing as our core value to develop comprehensive products for consumers and business in collaboration with the group and subsidiaries. These products include notebook PCs, smart terminal devices, data center platforms, IoT products, autotronics, robotic arms, and smart healthcare products, in order to capture the business opportunities in the “new 3C” market and the extended applications from AI in different vertical markets.

In terms of cloud infrastructure, we will deepen our software development capability to build cloud service platforms. The focus of our software development

efforts will be solutions and applications in storage, big data analysis, high performance computing (HPC), and machine learning. We provide customer with a unique one-stop-shop services, from R&D, design, production, solution, to services. Meanwhile, by integrating “cloud computing”, “connectivity technology”, and “client devices”, we aim to stay ahead of competitions in smart application integrated in the 3C era. Good progress has been made in various areas, such as wearables, connected devices, smart home equipment, and servers.

3. Operational performance strategy

We implement the profit-center system down to the Business Unit level to promote virtuous competitions within the organization and to achieve the best operational results. We also make full use of products from our affiliates to complete upstream and downstream integration and to centralize procurement of common parts for cost control and risk management. In terms of manufacturing, we persistently promote the construction of Q-factory, building upon the foundation of Industrial 4.0 and to move towards Industrial 5.0 collaborative humane smart manufacturing. We focus on upgrades in automation, smart manufacturing, system with data analytic and integrated analysis capability, deepened delicacy management and strict cost control. Through automated production coupled with reasonable improvement in production flow, we introduced automated technologies and robotic arms to plan collaborative production between human and machineries. Combing the accuracy of automated equipment and the cognitive and critical thinking skills of human to significantly escalate the efficiency and accuracy of production.

4. Market strategy

World-leading branded companies drive the technology upgrade for the entire supply chain through continuous innovation in product design. As a smart manufacturing service provider of electronic products, we must follow closely the footstep of product innovation and technology upgrade of global high-tech products to improve product quality and increase flexibility. Doing so, we can build long-term and stable partnerships with customers with fast responding manufacturing services and grasp the key to continuous growth in business. Therefore, apart from strengthening our R&D capacity, we spare no effort to optimize production technology, improve product quality, and enhance yield rate through equipment upgrade and automation enhancement, in order to ensure the stability of manufacturing quality, technology upgrade, and strengthen leadership position in the sector.

ii. Long-Term Strategy

1. Market strategy

Starting with laptops, we extend from IT industry to cloud computing to develop various technologies, applications, and related products based on data economics. With the “new 3C” as the focus of our R&D, we retain existing notebook customers and promote new types of consumer electronic products developed by the Company to our existing customers in order to equip customers with a full product line for market expansion. In response to the current environmental protection

topics, we endeavor to develop and design products that are more resource efficient to cherish materials and to minimize defective and scrap rates. Our target is to equip our products with industry leading design, superior quality, and quick market entry, and to create win-win relationship with customers with better cost competitiveness.

In addition, we will establish brand new economic and industry strategies, begin to develop AI open platforms, and commercialize academic research studies in AI, in order to display the demonstrative effect of the leading industry and to establish the AI ecosystem.

2. Production and global deployment strategy

Electronic products are trending towards higher level of personalization, the need to establish localized services in response to customers' demand will create a tough challenge for manufacturers. In terms of manufacturing, the Company's focuses are enhancing innovation capacity and fundamental capability of manufacturing industries. In practice, we will foster the in-depth fusion of cloud computing and manufacturing technology and promote the development of high-end, smart, green, and service-driven manufacturing technologies to achieve smart manufacturing. Currently, we have completed manufacturing, maintenance, repair and distribution centers in Taiwan; California and Tennessee in the U.S.; Aachen in Germany; Singapore; Shanghai, Changshu, and Chongqing in China; as well as Chonburi in Thailand. We continue to keep an eye on other potential regions to stay flexible of our global deployment based on business development needs, in order to control cost effectively and to fulfill customer needs.

3. Product development strategy

In view of the digitization and smart trends across the world, we focus on cloud computing as the fundamental development in the core equipment and total solutions of cloud data centers and the development of AI. We develop and promote technology innovation, capability enhancement, and product upgrade to continuously enhance our capacity to develop cloud computing solutions, and endeavor to become the most compatible provider of the core products and total solutions in cloud computing.

Our nature of sustainable development lies on the pursuit of operational growth through constant R&D, continuous innovation, and keeping pace of the time. Therefore, we have planned strategies corresponding to different product life cycle, whether maturity, puberty, infancy, or seedling. We grasp firmly on the potentials of products in maturity, seek profitability from products in puberty, cultivate products in infancy, and engage in R&D and innovation for seedling products. With these four main development strategies, we aim to secure the technological leadership of Company's products and long-term competitiveness.

4. Operational performance strategy

Providing products with the best price-to-performance for customers and consumers is our commitment. Therefore, we strengthen partnerships with



important suppliers and leverage the know-how of our R&D center to develop core technologies and components with suppliers, in order to develop cost-competitive products with high added values.

Quanta will continue to solidify our R&D capability, deepen delicacy management, optimize cost structure, advance manufacturing technology, strengthen global deployment, and keep close track on risk control in order to pursue long-term and steady operational performance through optimizing each operational process.

## 2. Overview of Market and Sales

### (1) Market Analysis

#### i. Major Products and Service Regions:

Notebook PCs are our major product and are mostly for export, major importing regions are as follows:

Region \ Year	FY2018	FY2019
U.S.	50.27%	51.11%
Mainland China	14.43%	10.53%
The Netherlands	6.51%	7.15%
Japan	4.50%	5.98%
Others	24.29%	25.23%
Total	100.00%	100.00%

Our products are sold worldwide and the composition of our customers is quite diversified with the U.S. being the major importing region, followed by mainland China. We are devoted into market diversification and actively cultivating business in Asia Pacific regions.

We are unique in R&D, design, manufacturing, and sales of our products. Assembly plants and after-sales service centers are established in Taiwan, California and Tennessee in the U.S., Aachen in Germany, South Korea, Japan, and Singapore. With SAP information systems implemented, we provide branded notebook suppliers and mega data center customers with more efficient global services and technical supports. Leveraging our strong R&D capacity, high-efficiency and high-quality product development and production capability, global logistics, speedy and flexible delivery services, and economies of scale, we are able to maintain high market share in the world. We further establish maintenance and repair locations overseas to provide quick after-sales services and assist customers to improve product quality and to consolidate market position.

Keeping in pace with the development of cloud computing business, we focus on the expansion of large data centers, strengthening market share as the development strategy, targeting at the business opportunities from the infrastructure reform of private cloud service providers, telecommunication operators, and the raising demand of cloud data centers. Apart from establishing strategic partnerships with worldwide system integrators, we set up local sales offices in the U.S., Germany, mainland China, Japan, South Korea, and Singapore to stay proximity to markets and to respond fast to

customer demands. We have business presence across North America, Europe, and Asia Pacific, becoming a leading cloud hardware provider with global deployment.

ii. Market Share:

As a global leader in ODM, OEM, manufacturing, and related services, we provide customers with the most competitive products and services in the market, including total solutions covering design, manufacturing, and logistic supports. According to IDC, global notebook PC shipment in 2019 was 170 million units, while Quanta shipped approximately 35.10 million units, accounting for 21% of the market share. We are also an important cloud data center solutions provider with strong capability in leading technology, highly customizable design, and flexible services to provide the optimal solutions for cloud computing environment and to help data center customers to optimize the market competitiveness of their products and services. In recent years, we have been devoting efforts in improving our core business in manufacturing through technology advancement. Apart from introducing lighter-weight notebooks with better performance in response to market trend, developing more advanced and higher performance servers to fulfill the demand of the growing cloud industry, we are also engaged in the development of VR, AR, MR, 5G solution, smart healthcare, IoT, autonomous vehicles, autotronics, and AI products to capture new business opportunities. In smart manufacturing, we are devoted into developing and selling automated equipment, specifically, the automated robotic arms with optical and visual sensing capabilities was launched in 2017 and sales momentum remained strong in recent years. Furthermore, we will embark solutions integrating technology and AI in healthcare and IoT industries to cultivate new market opportunities.

iii. Future Demand and Market Growth Potential:

According to Digitimes Research, a bigger fluctuation is expected in NB shipment volume in 2020, with new changes in every month and every quarter. Despite the positives from the introduction of low-price NB models from Apple coupled with the end of commercial replacement cycle, the unsolved supply constraint of Intel CPUs, uncertainty of the global market due to the US-China trade war, production disruption and global economic impact from COVID-19, and the simplification trend of consumer NB design from global PC brands are all factors causing pressure on NB shipment, making changes in the overall market harder to apprehend.

Although COVID-19 created great impact on the supply chain in Q1 2020, the stay-at-home quarantine policies put in place across the world has also escalated demand for NBs and educational PCs from work from home (WFH), online learning, and home economics. It is generally predicted that if COVID-19 can be reasonably contained by mid-2020, the NB shipment unit in 2020 can be expected to maintain at the 2019 level. However, if COVID-19 is not contained after mid-2020 leading to a quick freeze on the global economic activities, then the future of NB market would also become more unpredictable.

In the cloud computing market, the 5G era would bring explosive growth in data volume, network traffic, data storage, and innovative application services including IoT, big data analysis, machine learning, HPC, and mobile services. As a result, telecom service

providers will face major challenges. On one hand, telecom service providers fear for the delayed return of investment from the large-scaled capital expenditure in 5G infrastructure buildout, and on the other hand, they fear for the uncertainty of future business model. Telecom service providers will also face threats in profitability from the fierce competition of over-the-top (OTT) businesses. To reduce operating costs, some telecom service providers started to adopt architecture that utilizes industrial standardized hardware integrated with open and virtual platform technology to provide “end-to-end” infrastructure to support the market demand for innovative applications.

Rakuten Mobile, the largest telecom service provider in Japan, is the best example of this concept. Rakuten is the pioneer in extending from wireless access points (WAP) to core networks, it relies on software automation to control mobile communication network. The biggest difference in implementation from other telecom service providers around the world is that the architecture adopts the visionary and innovative “cloud native architecture”. Such aggressive and innovative model has shocked the telecom market and pushed other telecom service providers to follow and to review the existing costly architecture, and to accelerate the rise adoption of the “cloud native architecture.” Based on the estimate from Open Networking Foundation (ONF), a foundation that is very active in this type of innovative architecture, the push of new demand from 5G infrastructure build out, the “cloud native architecture” can bring about US\$300 billion worth of business opportunities to suppliers. Taking the initiative, Quanta collaborated with Intel and open-source solution leader Red Hat to build an end-to-end cloud native architecture for Rakuten Mobile. In the rise of 5G, Quanta is ready and well-prepared to tap into the telecom market.

In VR and AR related industries, with branded companies become more familiar with the AR technology, demand for AR products has also become more diversified. Two major types include:

- Integrated HMD: in response to different usage scenarios and demand for comprehensive functions, including the detection of six degrees of freedom, detection of spatial and distance, or sensors for special temperature and recognition, it is usually equipped with a microcomputer with strong computing capability and battery capacity.
- Consumer smart eyewear: Emphasize appearance, light weight for prolonged wear, and high durability and energy-efficient design for whole day wear.

The development of software application is the last mile of AR displays. Previously, the development of software and application was difficult in the absence of appropriate hardware. It is estimated that hardware technology can reach mass production level in 2020, enabling the implementation of social media and instant message. With the support of appropriate software and application development, the AR market can progressively expand. Upon breakthrough in technology coupled with the availability of 5G infrastructure and services, application diversification will begin and further integrate with future applications of optical engine in next-generation computing technology.

iv. Competitive Strength:

1. Organizational innovation brings more complete functions and services for customers

After developing and selling branded products in the cloud equipment market, we have added many organizations and functions of a branded company to provide customers with more complete value and services. We have established many sales locations in Europe, Americas, and Asia to promote branded products of servers and full-rack solutions. We also provide solutions with a complete service process, including design, manufacturing, integration, optimization, deployment, and after-sales service in support of global system integration and worldwide maintenance and repair centers. The integrated one-stop shop service effectively increased overall efficiency and productivity, providing customers with precise, fast, and solutions that are close to customer demands.

2. Key success factor remains with our R&D and innovation capability

Apart from production cost, speed to R&D has become another competitive strength in Taiwan's IT industry. In addition to years of devotion in notebook PCs, we also have full control of R&D and speed in the area of higher level of technology, such as servers, storage, and switches. Leveraging our strength in R&D capacity and a robust management team, we make continual improvement in product R&D and component integration. In fact, our strong capabilities in observing market demand, leading new product R&D trend, and innovation in technology has allowed us to maintain leadership position in the market and won customer acclaim and recognition.

In the global data center equipment market, Quanta is ahead of competitors both in terms of shipment volume and technology advancement. Apart from leading R&D and innovation capability, a powerful sales and service team, we also engage in forward-looking technological collaboration with top tier partners in the value chain. We further extend our strength in innovation to secure our market leadership.

3. Unique competitive strengths in full product offering, product integration, and capability optimization

We are committed to providing standardized and open-source data centers, our product lines include rack solutions, storage, switches, fully integrated rack solution, and cloud computing solutions. We provide ultra-high efficiency, high elasticity, reliability, manageability, serviceability, and optimal functions tailored for different data center service needs and workloads.

As one of a few cloud hardware providers around the world that provides servers, storage, switches, and integrated rack solutions, Quanta plays an essential role in the cloud ecosystem. Our product integration and capability optimization will

further push innovation in cloud computing and possess Quanta with unique competitive strengths in the cloud supply chain.

v. Favorable and Unfavorable Factors for Long-Term Development and Countermeasures:

1. Favorable Factors:

(1) Complete IT industry system in Taiwan

A complete production and management system is one of the strengths to maintain competitiveness of IT industry in Taiwan. We are devoted in vertical integration with hopes to maintain stable supply and quality of raw material by taking proximate resources with the complete vertical integration system of Taiwan's IT industry from upstream to downstream. Apart from providing upstream suppliers with the technical supports needed for quality improvement, we also established related business units and subsidiaries for some of the key components, in order to maintain product quality when shipment volume surges, and to provide customers with quick and satisfactory services.

(2) Key success factor with strong R&D and innovation capability:

Speed to R&D and innovation capability are important competitive strengths of Taiwan's IT industry. Particularly, the control of speed from new technology development to mass production is exceptionally important. Key management team is equipped with technological background in respective professions, with the strong R&D team, we continue to lead the industry in new product development and technology innovation. Thus, we can win the praise and recognition from customers when conducting ODM businesses.

In the support of solid R&D capability, a robust management team, and the innovation capability of Quanta Research Institute, we continuously develop and integrate new products and new markets in order to maintain technology leadership.

(3) The popularity of international division of labor for production and marketing

Given the increasing competition of high-tech products, international brands begin to seek strategic partnerships with overseas ODM companies in order to stay focus on their core business and lower cost. The branded companies leverage professional division of labor to achieve operational flexibility and price competitiveness. Taiwanese IT manufacturers won the recognition of global high-tech companies on our superior advantages in speed to R&D, production cost, and flexible delivery. Quanta has become the first-tier partner of choice to global leading branded customers with our competitive strengths in innovation and R&D, quick response to customer demands, high-quality products and services, efficiency, and cost effectiveness.

Our long-term customers include world-leading computer brands and cloud service providers. Apart from setting up maintenance and repair centers in Europe and the U.S., we further established assembly and logistics centers to reach our target of global logistics. We aim to achieve quick, direct, and on-time delivery to stay close

to customer demands and to provide them with the best products, services, and experiences.

2. Unfavorable Factors:

(1) Shortage of R&D workforce

As the high-tech industries grow rapidly, the demand for R&D workforce continue to accelerate, coupled with the changes in social value and diversified employment options for young generations. The shortage of R&D workforce is common in Taiwan, causing operation burden on recruitment and production costs.

Solution:

- a. Provide competitive salary and welfare, reward mechanism is also implemented, including performance bonus and achievement bonus to incentivize base-level employees. The HR department also designates personnel to plan comprehensive welfare measures to help employees with work, learning, and career development. We care about the well-being of our employees' mental and physical condition in order to achieve work and life balance.
- b. Execution and specific measures of "Taiwan Design, Smart manufacturing, Global Logistics and Sales" include: Implement automated technology and establish the Q-factory to enhance the efficiency and improve the quality of production. At the same time, we consider automation for mass production right at the beginning of R&D and product design to reduce the need of workforce on production lines.
- c. Standardize design, accelerate the development speed, shorten the development cycle, and transfer the production of products with large quantity but low value-add to regions with lower labor cost.

(2) Currency risk

Given the supply of key components comes from Japan, Taiwan, and mainland China, while most products are exported to the U.S. and Europe, our export dependency is high, and currency volatility would affect profitability.

Solution:

- a. Use single currency for quotations with suppliers and customers to balance part of the currency risk.
- b. Enhance the understanding of currency hedge for financial personnel, maintain connection with Reuters and financial institutes to timely monitor forex information, study and judge future forex trend, leverage financial instruments to hedge currency risk, and designate responsible personnel to engage in forex operations for hedging.

(3) Intensified competitions

The life cycle of high-tech products is short, as functionality continues to improve and prices continue to decline, coupled with the popularity of network

infrastructure deployment and the invasion of different kinds of emerging mobile computing devices, market competitions are increasingly intensified. Furthermore, the global economy and business operations face severe challenges from the constant changes in the international political and economic conditions, as well as uncertainty from the US–China trade war, Brexit, the rampancy of COVID-19, the failure of talks on oil production cuts.

Solution:

- a. Demonstrate full R&D capability to develop various new models of different levels and different styles to meet the needs of different customer requirements. Increase value-add for products and launch products in mass production ahead of competitors, in order to capture higher profitability at the beginning stage of new product launch.
  - b. Actively diversify in response to market demands to disperse the operational risk of overly centralized on a single product or business and to increase the source of income.
  - c. Strengthen close partnership with world-leading suppliers and continuously enhance our design capacity and strength in manufacturing capability to become the major supplier for key customers. Thus, we can demonstrate the benefit of the scale of economy from capacity utilization, enhance production efficiency and yield rate, reduce manufacturing costs, and enhance quality control in manufacturing process to reduce the occurrence of external costs.
  - d. Establish an information platform with customers and upstream component suppliers with the SAP system to timely capture inventory level of components and future demands to achieve just-in-time supply. Reaching the target of lowering inventory management cost and reducing losses from idol inventory.
- (4) Import dependency of key components

Although the high-tech industry is well-established in Taiwan, key components for main products, such as LCD, CPU, and HDD, rely on imports from suppliers in the U.S., Japan, and South Korea, making it difficult to control the material cost.

Solution:

- a. Strengthen our own procurement capability, establish sound and long-term partnership with suppliers, and cultivate multiple suppliers to disperse risk of overly centralized procurement.
- b. Develop new technology for components in collaboration with suppliers to strengthen mutual trust and mutual dependency.
- c. Seek alternative material without sacrificing product functions and optimize manufacturing technology, enhance production yield rate, and reduce defective rate.

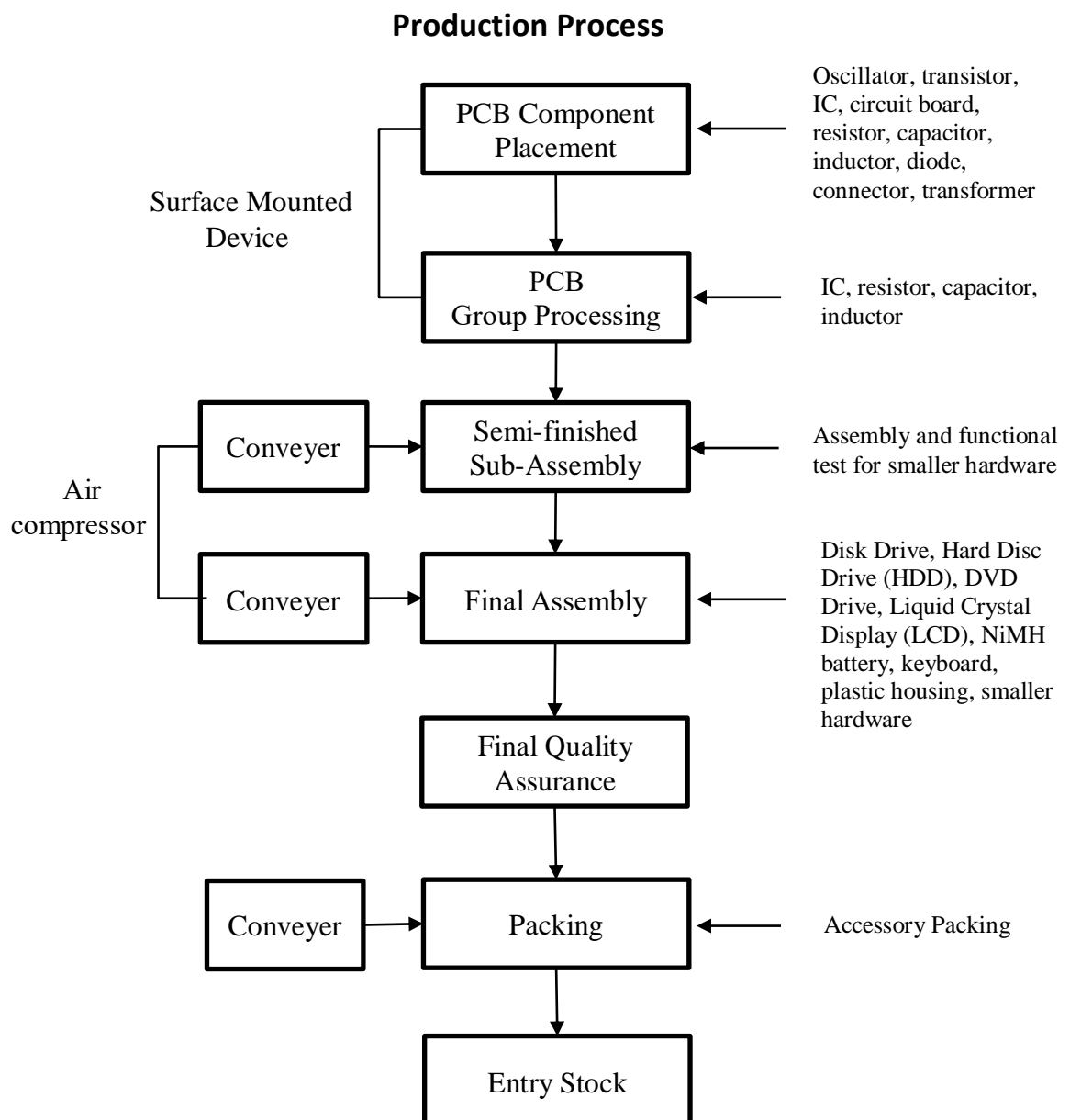
(2) Key Applications and Production Process of Main Products:

i. Key Applications of Main Products

1. Laptops: Features are lightweight, thin, slim, and small, while key functions include word processing, data management, typesetting, industrial design, presentation, statistical analysis, and multimedia.
2. Smart wearables: With the miniaturization and accuracy enhancement of sensors, smart watches and smart bracelets can provide data with values including heart rate, pedometer, exercise scheduling and choices, message alert, and phone functions. Through function improvement, applications of smart wearables have extended to consumer electronics, healthcare, and medical markets.
3. Smart speakers and related products: As the user experience ameliorates and the creation of innovative operating mode accelerates, smart speakers and related products are swarming with the market. Users can input requests through verbal comments and receive instant response from the cloud application and enjoy easy shopping, note taking, information searching, and connecting other applications.
4. IoT devices and controllers: The rise of the Internet of Everything (IoE) also drives the formation of smart devices ecosystem. From the vertical market to household products, the wave towards smart has begun, as a result, the demand for extended products also enters into the household market. For example, installing an integrated device at home, allowing all smart devices at home to be connected and users can monitor and capture data over the internet, after analysis using big data and AI, information are collected from various aspects for users' reference.
5. Server and cloud computing related products: As the infrastructure provider for IaaS and PaaS for data center, our product range covers integrated platforms for private cloud services, high-performance in-depth machine learning and data analysis frameworks, Software-Defined storage systems, and Central Office solutions for 5G telecom operators to help enterprise customers to develop complete cloud-based infrastructure.
6. AR related products: The key to overall functions and style of the optical head-mounted display (OHMD) is optical module. From this, we gradually develop related optical alignment and production technologies, and extend to the design and manufacturing of OHMD and smart glasses.



## ii. Production Processes for Main Products



No Wastewater Generated in The Production

(3) Supply of Key Material:

Name of Material	Main Suppliers
Liquid-Crystal Display (LCD)	AU Optronics, InnoLux, LGD, BOE
Hard Disk Drive (HDD)	Seagate Technology Taiwan, Western Digital Taiwan, Toshiba Taiwan
Battery	Simplo Technology, Desay, Dynapack, Sunwoda, and SDI
Central Processing Unit (CPU)	INTEL 、AMD 、Qualcomm
Optical Disc Drive (ODD)	HLDS

CPU is the most expensive key component of a notebook PC, followed by LCD and HDD. Our key customers are mostly world-leading brands, who either manufacture related parts and components in-house or procure them independently. In addition, our capacity has reached the economies of scale, thus bringing us advantages over procurement and better bargaining power. In recent years, we have been proactively cultivating multiple sources of suppliers for key parts and components, so to effectively reduce the risk of overly centralized procurement.

In terms of business diversification, we are devoted in vertical integration and invest in manufacturing and developing of key parts and components to ensure the quality and stable supply of key components and enjoy the synergy of vertical integration.

(4) Major Suppliers and Customers in The Past Two Years:

i. List of Major Customers:

1. List of customers contributing 10% or more of annual sales in any one of the past two years:

(expressed in NT\$ thousand)

No.	FY2018				FY2019			
	Name	Amount	Percentage in annual sales	Relations with issuer	Name	Amount	Percentage in annual sales	Relations with issuer
1	A	582,971,446	56.71%	NA	A	572,560,885	55.61%	NA
-	Others	445,019,592	43.29%	-	Others	457,050,529	44.39%	-
-	Net sales	1,027,991,038	100.00%	-	Net sales	1,029,611,414	100.00%	-

Note: List the name of customers contributing 10% or more of annual sales in the past two years and their sales amount and proportion. However, codes can be used when non-disclosure is requested in the sales contract or the counterparty is an individual and a unrelated party.

2. Causes of Changes:

No significant change of major customers reported in the past two years.

ii. List of Major Suppliers:

1. List of suppliers supplying 10% or more of total procurements in any one of the past two years

(expressed in NT\$ thousand)

No.	FY2018				FY2019			
	Name	Amount	Percentage in annual procurements	Relations with issuer	Name	Amount	Percentage in annual procurements	Relations with issuer
1	A	260,725,285	26.47%	NA	A	270,726,041	28.00%	NA
-	Others	724,192,200	73.53%	-	Others	696,231,911	72.00%	-
-	Cost of goods procured	984,917,485	100.00%	-	Cost of goods procured	966,957,952	100.00%	-

Note: List the name of suppliers with total supply 10% or more in the past two years and their supply amount and proportion. Codes can be used when non-disclosure is requested in the sales contract or the counterparty is an individual and unrelated party.

2. Causes of Changes:

No significant change of major clients reported in the past two years.

(5) Production in The Past Two Years:

(expressed in 1,000 pieces/NT\$ thousand)

Output Year Major Products (or by department)		FY2018			FY2019		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Computer Products		-	-	984,117,743	-	-	980,444,164

Change analysis: No significant change.

(6) Sales in The Past Two Years:

Sales Year	FY2018				FY2019			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Computer Products	-	-	-	1,016,419,252	-	-	-	1,008,292,076
Other Electronics	-	261,634	-	11,310,152	-	116,864	-	21,202,474
Total	-	261,634	-	1,027,729,404	-	116,864	-	1,029,494,550

Change analysis: No significant change.

### 3. Employee Status

#### (1) Workforce Distributions

Year		FY2018	FY2019	By the date of the report's publication
No. of Employees	Direct Labor	88,714	54,279	67,873
	Indirect Labor	23,707	23,651	22,964
	Total	112,421	77,930	90,837
Average Age		27.42	28.39	29.24
Average Years of Service		2.02	2.89	3.19
Education Background	Ph.D.	0.06%	0.09%	0.09%
	Master's Degree	3.45%	5.22%	5.54%
	Bachelor's Degree	41.95%	36.20%	35.65%
	Senior High School	21.96%	28.77%	26.83%
	Below Senior High School	32.58%	29.72%	31.88%
	Total	100.00%	100.00%	100.00%

#### (2) Continuing Education and Training for Employees

We established “Quanta Academy” in 2005 and renamed it to “Quanta ELITE School, QES” in early 2012 with the mission of building a comprehensive learning environment for all employees to learn and to develop. Sharpen various competencies required by employees and systematically cultivate future leaders of all levels.

To ensure that every new hire can choose courses in relation to his/her own expertise upon completing the orientation training, we arranged courses in five categories, including Expertise, Leadership, Innovation, Thinking, and Entrepreneurship (ELITE) to enrich occupational knowledge of employees in work efficiency, management, technology, sales, product management, and innovation. In addition, we continuously plan and provide learning activities in the “three innovative” series to accommodate the Company’s strategy and future development. The “three innovative” series of learning activities cultivate employees’ capabilities in “innovation, creativity, and entrepreneurship”, so employees are trained to stay alert on the rapid changes in the market. From the perspective of learning in technology area, we design training courses other than cloud computing, mobile devices, IoT, and wearables, we also offer courses in response to the latest trend of market development, including self-driving, AR/VR, AI, 5G connectivity, and smart healthcare. By constantly prompting the “2B spirit”, we expect employees to proactively demonstrate self-motivation and high self-demanding attitude “to be the owner” and “to be the leader.” We also organize the “Best 2B” activity to commend the owners and leaders who best demonstrate the “2B spirit”.

Through classroom learning, e-learning, On-Job Training (OJT), e-newsletters, workshops, and learning communities, we help employees to enrich their professional knowledge and skill sets. In 2019, we offered over 1,659 sessions of training with an average training length of each employee at 26.5 hours. We organized the “Wonderfour” ceremony on Teacher’s Day to award instructors and employees who have made significant contributions to internal training courses.

Aside from promoting various training courses, we also made integrated planning for business model innovation, such as organizing competitions in innovation with themes

focused on the application, internal and external innovative business models on various emerging technologies in transportation, daily life, manufacturing, engineering, education, healthcare, and entertainment.

#### **4. Environmental Protection Expenditure**

- (1) Total loss, including compensation, and penalties caused by environmental pollution:  
Neither loss nor penalties due to environmental pollution were reported in the previous years and by the date of the report's publication.
- (2) Future Countermeasures and Potential Expenditure:  
“Less Air Pollution, Less Water Pollution, Less Waste, and Less Environmental Impacts” is the Company’s environmental policy. To protect the Earth where we live, we ensure absolute compliance with local environmental requirements in pollutant control. Based on such a foundation, we are devoted to minimizing environmental impacts through production process improvement and legal disposal of hazardous waste. We strive to comply with the RoHS and other international environmental regulations and fulfill our corporate social responsibility.

We are committed to environmental protection, as witnessed by our environmental protection expenditure. In 2019, the environmental protection expenditure in Taiwan HQ and Manufacturing HQ in China was NT\$14.69 million and CNY\$44.79 million respectively, and majority of our investment was in energy conservation projects and equipment. We expect the main environmental protection expenditure and environmental protection projects in the future will include expenses on the renewal and upgrading of existing energy conservation equipment, operation costs of energy conservation equipment, fees for waste disposal, and fees for environmental monitoring.

As the awareness of environmental protection rises, enterprises with outstanding environmental protection performance gain a superior position in global competitions. As a result, we have spared no effort to implement environmental protection over the years through the introduction of the environmental management system as a tool for environmental management within the Company. Our goal is to optimize environmental management performance and make voluntary and continual improvement, in order to improve the environment and reduce environmental impacts. We have established an EHS (Environmental Health & Safety) management organization at the beginning of manufacturing plant establishment. The organization is responsible for improving the EHS performance throughout the Company; plan, promote, and implement organizational EHS and risk management policies, solutions, and plans; establish EHS improvement mechanisms for the Company; and implement EHS plans and matters. To achieve total participation and to strengthen communication, we have established an EHS Management Committee in addition to the EHS unit to review and decide on the Company’s overall EHS strategies and proposals. The EHS committee holds committee meetings every month to review the Company’s EHS performance. Through the collaboration of the EHS committee from each department, we build a well-established EHS management system.

We combine environmental management programs with actual operations of the manufacturing sites to realize the execution of environmental protection. Based on the

Plan-Do-Check-Action (PDCA) cycle of the environmental management system, we manage environmental topics systematically, including risk consideration and assessment on various EHS topics; effective management of raw material from assessment, substitution, to reduction of feedstock and materials; the control and reduction of process pollution sources; effective management of pollutant disposal; the reuse of recyclable products. It is our goal to achieve sustainable development through implementation of all programs that help reduce environmental impacts and strengthen EHS management.

## **5. Labor Relations**

- (1) Losses due to labor dispute in the previous years and by the date of the report's publication:

Since the establishment of the Company, labor relations have been developed based on mutual respect, integrity, and ethics, thus no significant labor dispute has been reported. We conduct regular and provisional labor and management meetings with the employee welfare committee to fully understand the needs of employees. We are able to develop welfare policies and resolutions for labor-management relations based on such understandings. We are committed to promote constructive labor-management relations with goals to create a healthy work environment with “happiness, hope, and health” as a sustainable achievement for the Company.

- (2) Estimated monetary losses from current and future labor dispute potentials and countermeasures:

The Company does not expect significant monetary losses to arise from labor disputes due to the Company's continuous and proactive efforts in promoting and implementing various employees benefit policies.

- (3) Benefits:

- Profit sharing and stock options for employees: Implement with respect to relevant laws, regulations, and the Articles of Incorporation of the Company.
- The “Employee Welfare Committee” is established as required by law and the Company contributes welfare fund to the Committee on a regular basis to fund various employee benefits. In addition to the basic benefits and the 3H (health, happiness, and hope) program, we assist employees with organizing various club activities to take care of their health and leisure life.
- To take care of the life of employees and expand the scope of employee welfare, aside from the mandatory Labor Insurance and National Health Insurance for all full-time employees of the Company, we also provide groups insurance covering term life insurance, medical insurance for accidental injury, accidental injury insurance, hospitalization insurance, and medical insurance for cancer treatment. In addition, we have added travel insurance and occupational injury insurance to increase the coverage of extra medical and care expenses for employees in case of death, disability, injury, or disease.
- Upon the group insurance, we expand the coverage to the dependents of employees on a self-financed and optional basis. The coverage includes term life insurance, medical

insurance for accidental injury, accidental injury insurance, hospitalization insurance, and medical insurance for cancer treatment.

- Periodic health examinations: We hire external medical center to provide medical examinations for employees on an annual basis.
- Employee Assistance Program (EAP): We hire external professional counselling center to offer counselling services to employees. Counselling services cover areas in occupational planning, family matters, relationships, physical and mental stress issues, and legal questions. Employees can utilize the counselling services over the phone or through face-to-face interviews and all dialogs or contents of the counselling are kept strictly confidential. Every employee is entitled to five sessions of free counselling every year. Managers can provide help to employees in need through EAP.
- Training courses: To meet with the Company's long-term development needs and improve the competency of employees, we organize courses and training seminars for a wide variety of topics on technology, management, and humanities based on the learning map.
- We provide various monetary benefits for employees on major folk festivals, employee's birthday, marriage, childbirth, and emergency loans.
- We provide employees benefits and allowances based on their needs, covering cafeteria plan selections, commercial insurance, and continuing education.
- We organize various activities, such as summer camps, meetups, theatrical dramas, and health talks. We also support the development of club activities, provide financial supports to promote departmental entertainment activities to encourage employees to balance work and life and to achieve labor-management communication and harmony.
- We subsidize employee meals at the on-site cafeteria to take care of their health. Designated personnel is responsible to supervise the quality of foods supplied by stalls to raise the dietary standard and employee satisfaction.
- On-site fitness center with professional coaches are provided and fitness activities and courses are organized from time to time to improve the physical and mental health of employees.

#### (4) Retirement:

Aside from following regulations in accordance with the Labor Standards Act, the Company has also established "Labor Pension Fund Supervisory Committee" (tax administration number: 98039155) to provide custody and management of employee pension funds. The Company also agrees for auditing by the Taoyuan City Government Department of Labor in accordance with Letter No. 094036510 issued on December 21, 2005. Apart from conforming to the law and allocating labor pension fund to a designated account established in Bank of Taiwan as the fund source for labor pension, calculation of pension payment also conforms to the rules and regulations stipulated in the Labor Standards Act.

New pension plan and the Labor Pension Act were established on July 1<sup>st</sup>, 2005. Employees are entitled to choose from existing system under the Labor Standards Act or the system under the Labor Pension Act by retaining the service length before the Labor Pension Act. According to the Labor Pension Act, the Company should contribute a minimum of 6% of an employee's salary every month to the personal pension account established by the

Bureau of Labor Insurance. Records are tracked every month for employees' queries in order to protect their rights and interests.

## 6. Material Contracts

Contract Nature	Counterparty	Contract Period	Major Contents	Restrictions
OEM	Domestic and overseas clients	Within validity	OEM for IT products	NA
Licensing	Domestic and overseas proprietors	Within validity	Intellectual property license	NA



## VI. Financial Information

### 1. Five-Year Financial Summary

#### (1) Consolidated Financial Statements

##### i. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

(note 1) Item	Year	Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		470,481,843	532,426,459	562,682,014	600,750,831	552,745,155
Property, Plant and Equipment (note 2)		49,203,488	45,463,001	42,184,996	49,434,575	47,497,209
Intangible assets		810,511	682,497	748,288	849,013	832,242
Other assets (note 2)		3,353,119	2,146,592	1,913,533	2,237,695	1,638,388
Total assets		531,574,219	587,430,061	613,376,095	659,467,182	614,626,933
Current liabilities	Before distribution	368,975,326	427,133,839	473,389,042	498,127,585	443,195,843
	After distribution	354,297,342	413,614,643	460,256,109	484,415,258	(note 3)
Non-current liabilities		22,513,209	20,579,436	1,198,578	20,112,501	29,499,825
Total liabilities	Before distribution	391,488,535	447,713,275	474,587,620	518,240,086	472,695,668
	After distribution	376,810,551	434,194,079	461,454,687	504,527,759	(note 3)
Equity attributable to shareholders of the parent		132,742,309	132,853,434	132,422,343	134,896,686	135,641,811
Capital stock		38,626,274	38,626,274	38,626,274	38,626,274	38,626,274
Capital surplus		14,042,566	14,053,893	14,072,745	14,085,280	14,090,564
Retained earnings	Before distribution	84,830,358	85,257,190	86,043,777	88,240,188	90,494,982
	After distribution	70,152,374	71,737,994	72,910,844	74,527,861	(note 3)
Other equity interest		(4,423,795)	(4,750,829)	(5,987,359)	(5,721,962)	(7,236,915)
Treasury stock		(333,094)	(333,094)	(333,094)	(333,094)	(333,094)
Non-controlling interest		7,343,375	6,863,352	6,366,132	6,330,410	6,289,454
Total equity	Before distribution	140,085,684	139,716,786	138,788,475	141,227,096	141,931,265
	After distribution	125,407,700	126,197,590	125,655,542	127,514,769	(note 3)

Note 1: The above financial data have been audited and certified by certified public accountants, and there is no notice of corrections or reproduction from the competent authority. Condensed individual financial statements are available below.

Note 2: No asset revaluation was performed in the above years.

Note 3: Earnings distribution of the year has not been approved by the AGM.

ii. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

<div> <div>Year (note 1)</div> <div>Item</div> </div>	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	1,007,257,380	893,982,294	1,021,182,900	1,027,991,038	1,029,611,414
Gross profit	46,427,631	46,594,261	45,653,186	43,871,961	49,167,659
Income from operations	18,280,436	19,105,254	17,605,965	14,295,496	18,990,906
Non-operating income and expenses	4,423,052	1,235,321	2,491,127	4,880,913	1,560,715
Income before tax	22,703,488	20,340,575	20,097,092	19,176,409	20,551,621
Profit (loss) from continuing operations	17,749,672	15,410,434	14,515,762	15,332,361	16,314,805
Income from discontinued operations, net of income tax effect (note 2)	-	-	-	-	-
Net income (Loss)	17,749,672	15,410,434	14,515,762	15,332,361	16,314,805
Other comprehensive income (income after tax)	(1,639,616)	(520,122)	(1,537,903)	475,468	(1,611,098)
Total comprehensive income	16,110,056	14,890,312	12,977,859	15,807,829	14,703,707
Net income attributable to shareholders of the parent	17,827,131	15,138,164	14,367,092	15,118,553	15,942,712
Net income attributable to non-controlling interest	(77,459)	272,270	148,670	213,808	372,093
Comprehensive income attributable to Shareholders of the parent	16,252,304	14,854,686	13,069,253	15,594,741	14,452,168
Comprehensive income attributable to non-controlling interest	(142,248)	35,626	(91,394)	213,088	251,539
Earnings per share	4.62	3.93	3.73	3.92	4.14

Note 1: The above financial data have been audited and certified by certified public accountants, and there is no notice of corrections or reproduction from the competent authority. Condensed individual financial statements are available below.

Note 2: There's no income from discontinued operations reported in the above years.

(2) Individual Financial Statements

i. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item \ Year (note 1)		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		368,829,295	389,998,313	399,960,923	409,842,621	408,855,857
Property, Plant and Equipment (note 2)		8,243,797	8,094,840	8,093,124	13,543,653	15,999,587
Intangible assets		45,541	29,481	31,975	49,043	75,682
Other assets (note 2)		10,132	10,667	11,239	48,796	65,420
Total assets		415,341,679	429,429,425	438,374,109	459,745,366	466,150,760
Current liabilities	Before distribution	273,214,619	281,035,079	300,671,211	309,756,940	304,098,184
	After distribution	258,536,635	267,515,883	287,538,278	296,044,613	(note 3)
Non-current liabilities		9,384,751	15,540,912	5,280,555	15,091,740	26,410,765
Total liabilities	Before distribution	282,599,370	296,575,991	305,951,766	324,848,680	330,508,949
	After distribution	267,921,386	283,056,795	292,818,833	311,136,353	(note 3)
Equity attributable to shareholders of the parent		132,742,309	132,853,434	132,422,343	134,896,686	135,641,811
Capital stock		38,626,274	38,626,274	38,626,274	38,626,274	38,626,274
Capital surplus		14,042,566	14,053,893	14,072,745	14,085,280	14,090,564
Retained earnings	Before distribution	84,830,358	85,257,190	86,043,777	88,240,188	90,494,982
	After distribution	70,152,374	71,737,994	72,910,844	74,527,861	(note 3)
Other equity interest		(4,423,795)	(4,750,829)	(5,987,359)	(5,721,962)	(7,236,915)
Treasury stock		(333,094)	(333,094)	(333,094)	(333,094)	(333,094)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	132,742,309	132,853,434	132,422,343	134,896,686	135,641,811
	After distribution	118,064,325	119,334,238	119,289,410	121,184,359	(note 3)

Note 1: The above financial data have been audited and certified by certified public accountants, and there is no notice of corrections or reproduction from the competent authority.

Note 2: No asset revaluation was performed in the above years.

Note 3: Earnings distribution of the year has not been approved by the AGM.

ii. Individual Condensed Statement of Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year (note 1)	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	970,430,051	863,452,459	988,566,371	988,549,563	969,098,701
Gross profit	36,686,541	38,721,724	35,458,363	30,610,727	38,002,770
Income from operations	18,991,969	21,628,238	17,408,966	12,577,284	17,816,099
Non-operating income & expenses	2,257,422	(4,051,746)	(97,380)	4,256,650	250,699
Income before tax	21,249,391	17,576,492	17,311,586	16,833,934	18,066,798
Net income for continuing operations	17,827,131	15,138,164	14,367,092	15,118,553	15,942,712
Income from discontinued operations, net of income tax effect (note 2)	-	-	-	-	-
Net income	17,827,131	15,138,164	14,367,092	15,118,553	15,942,712
Other comprehensive income for the year, net of tax	(1,574,827)	(283,478)	(1,297,839)	476,188	(1,490,544)
Total comprehensive income for the year	16,252,304	14,854,686	13,069,253	15,594,741	14,452,168
EPS	4.62	3.93	3.73	3.92	4.14

Note 1: The above financial data have been audited and certified by certified public accountants, and there is no notice of corrections or reproduction from the competent authority.

Note 2: There's no income from discontinued operations reported in the above years.

(3) Auditors' Opinions from 2015 to 2019

Year	CPAs	Audit Opinion
2015	Chung-Yi Chiang & Liu-Fong Yang	Unqualified opinion
2016	Wan-Wan Lin & Liu-Fong Yang (note)	Unqualified opinion
2017	Wan-Wan Lin & Liu-Fong Yang	Unqualified opinion
2018	Wan-Wan Lin & Liu-Fong Yang	Unqualified opinion
2019	Wan-Wan Lin & Liu-Fong Yang	Unqualified opinion

Note: In response to the regulations of competent authorities that listed companies shall not have their financial statements audited and certified by the same CPAs for five consecutive years after the IPO.

## 2. Five-Year Financial Analysis

### (1) Consolidated Financial Analysis – Based on IFRS

Year (note 1) Item		Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	73.65	76.22	77.37	78.58	76.91
	Ratio of long-term capital to property, plant and equipment	327.38	350.12	329.21	323.19	336.37
Solvency (%)	Current ratio	127.51	124.65	118.86	120.60	124.72
	Quick ratio	93.90	95.40	89.86	92.79	96.70
	Interest earned ratio (times)	11.47	9.95	6.01	3.99	4.08
Operating performance	Accounts receivable turnover (times)	5.79	5.37	5.96	5.45	5.06
	Average collection period	63.04	68.16	61.24	66.97	72.13
	Inventory turnover (times)	8.61	6.93	7.58	7.25	7.58
	Accounts payable turnover (times)	5.96	5.26	5.79	5.85	6.02
	Average days in sales	42.39	52.81	48.15	50.34	48.15
	Property, plant and equipment turnover (times)	20.47	19.66	24.21	20.79	20.38
	Total assets turnover (times)	1.89	1.52	1.66	1.56	1.68
Profitability (%)	Return on total assets	3.43	3.09	2.97	3.22	3.40
	Return on stockholders' equity	12.67	11.02	10.42	10.95	11.52
	Percentage of paid-in capital	Operating Income	47.33	49.46	45.58	37.01
		Pre-tax income	58.78	52.66	52.03	49.65
	Profit ratio	1.76	1.72	1.42	1.49	1.58
	Earnings per share (NT\$)	4.62	3.93	3.73	3.92	4.14
Cash flow (%)	Cash flow ratio	(note 3)	11.00	(note3)	3.42	8.51
	Cash flow adequacy ratio	59.18	100.33	65.35	42.79	68.31
	Cash reinvestment ratio	(note 3)	16.39	(note 3)	1.80	11.23
Leverage	Operating leverage	1.52	1.48	1.49	1.66	1.57
	Financial leverage	1.13	1.13	1.30	1.82	1.54

Note 1: The above financial analysis has been audited by CPAs

Note 2: Calculation for each financial analysis is as follows:

#### (1) Financial Ratio

- Total liabilities to Total assets = Total liabilities / Total assets
- Long-term fund to property, plant and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment

#### (2) Ability to Pay off Debt

- Current ratio = Current Assets / Current liability
- Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liability
- Interest protection = Net income before income tax and interest expense / Interest expense

#### (3) Ability to Operate

- Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
- A/R turnover day = 365 / account receivable turnover
- Inventory turnover = Cost of Goods Sold / the average of inventory
- Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
- Inventory turnover day = 365 / Inventory turnover

- F. Fixed assets turnover = Net sales / Net Fixed Assets
- G. Total assets turnover = Net sales / Total assets
- (4) Earning Ability
- A. Return on assets =  $\left[ \text{PAT} + \text{Interest expense} \times (1 - \text{effective tax rate}) \right] / \text{the average of total assets}$
- B. Return on equity = PAT / the average of net equity
- C. Net income ratio = PAT / Net sales
- D. EPS = (Profit attributable to owners of the Company — Dividend from prefer stock) / weighted average outstanding shares
- (5) Cash Flow
- A. Cash flow ratio = Cash flow from operating activities / Current liability
- B. Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)
- C. Cash investment ratio = (Cash flow from operating activities — cash dividend) / (Gross property, plant and equipment + long-term investment + other non-current assets + working capital)
- (6) Leverage
- A. Operating leverage = (Net revenue — variable cost of goods sold and operating expense) / operating income
- B. Financial leverage = Operating income / (Operating income — interest expenses)
- (7) When evaluating the above calculation for EPS, the following factors must be taken into consideration:
- The number of common shares shall be based on the weighted average method and not the outstanding shares as of the end of the year.
  - In the event of capital increase through issuance of new shares or treasury shares trade, the outstanding period of shares shall consider the weighted average number of outstanding shares in calculation.
  - In the event of capitalization through retained earnings or capital surplus, adjustment shall be made in proportion to the amount capitalized when calculating the earning per share for the previous year and the interim period. The term of the capitalization through retained earnings or capital surplus for new capital is not required for consideration.
  - If the preferred shares are non-convertible accumulated preferred shares, dividends for current period (whether or not being paid out) should be deducted from earning or added to earnings after tax. If the preferred shares are not accumulative, dividends for preferred shares should be deducted from earnings if there is a surplus. No adjustment is required in the event of losses.
- (8) When analyzing cash flow, the following should be noted:
- Cash flow from operation shall refer to the net cash inflow from operation as stated in the statements of cash flow.
  - Capital expenditure shall refer to cash outflow for capital investment each year.
  - Addition to inventory shall refer to the value at the ending period is greater than that of the beginning period. The number should be zero if there is decrease in inventory.
  - Cash dividend includes cash dividend for common and preferred stocks.
  - The gross amount of property, plant, and equipment is the total balance of property, plant, and equipment before subtracting accumulated depreciation.
- (9) Issuers shall divide the costs and expenses from operations by nature into fixed and variable cost. Issuers shall pay attention to the fairness and consistency if estimates or subjective judgement is involved.
- (10) If the company's stocks do not have a par value or the par value is other than NT\$10, the calculation of percentage of paid-in capital should be calculated with the ratio of equity attributable to the parent company stated in the balance sheet.

Note 3: The ratio is a negative number.

(2) Individual Financial Analysis – Based on IFRS

Year (note 1)		Financial Analysis for the Last Five Years				
Item (note 2)		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	68.04	69.06	69.79	70.66	70.90
	Ratio of long-term capital to property, plant and equipment	1,684.68	1,775.38	1,636.76	1,082.72	965.03
Solvency (%)	Current ratio	135.00	138.77	133.02	132.31	134.45
	Quick ratio	119.35	127.34	118.05	121.77	123.89
	Interest earned ratio (times)	28.24	16.26	10.68	7.58	5.88
Operating performance	Accounts receivable turnover (times)	4.79	4.31	4.74	4.42	4.16
	Average collection period	76.20	84.92	77.00	82.58	87.74
	Inventory turnover (times)	23.04	22.06	24.76	24.80	28.82
	Accounts payable turnover (times)	8.14	6.48	7.23	8.02	11.14
	Average days in sales	15.84	16.59	14.74	14.72	12.66
	Property, plant and equipment turnover (times)	117.72	106.67	122.15	72.99	59.95
	Total assets turnover (times)	2.34	2.01	2.26	2.15	2.08
Profitability (%)	Return on total assets	4.65	3.81	3.65	3.82	4.08
	Return on stockholders' equity	13.45	11.40	10.83	11.31	11.79
	Percentage of paid-in capital	Operating Income	49.17	55.99	45.07	32.56
		Pre-tax income	55.01	45.50	44.82	43.58
	Profit ratio	1.84	1.75	1.45	1.53	1.65
	Earnings per share (NT\$)	4.62	3.93	3.73	3.92	4.14
Cash flow (%)	Cash flow ratio	10.03	11.88	(note 3)	6.76	(note 3)
	Cash flow adequacy ratio	80.69	132.48	118.28	129.00	78.43
	Cash reinvestment ratio	8.31	12.52	(note 3)	5.12	(note 3)
Leverage	Operating leverage	1.03	1.03	1.03	1.05	1.07
	Financial leverage	1.04	1.06	1.11	1.26	1.26

Notes: same as previous chart

### **3. Audit Committee's Review Report**

## **Quanta Computer Inc. Audit Committees' Review Report**

30<sup>th</sup> March, 2020

The Board of Directors has prepared and submitted to us the Company's 2019 business report, financial statements and proposal for allocation of distributable earnings. FY2019 financial statements have been audited and certified by KPMG. The business report, financial statements and allocation of distributable earnings proposal have been reviewed by the Audit Committee. We, the Audit Committee, have duly examined the same as correct and accurate. We hereby report to the 2020 Annual General Meeting of Shareholders in accordance with Article 14-4 of the Securities and Exchange Act as well as Article 219 of the Company Act.

Quanta Computer Inc.

Chairman of the Audit Committee :

Wei-Ta Pan (潘維大)

### **4. Consolidated Financial Statements**

Please refer to consolidated financial statements disclosed on MOPS or Company's website

### **5. Individual Financial Statements**

Please refer to individual financial statements disclosed on MOPS or Company's website

### **6. Financial Difficulties: NA**



## VII. Review of Financial Position, Analysis of Financial Performance and Risk Management

### 1. Analysis of Financial Status

#### (1) Analysis of Financial Status

Unit: NT\$ thousands

Year Item	2018	2019	Difference		Analysis of Changes
			Amount	%	
Current Assets	600,750,831	552,745,155	(48,005,676)	-7.99%	
Fixed Assets	49,434,575	47,497,209	(1,937,366)	-3.92%	
Intangible Assets	849,013	832,242	(16,771)	-1.98%	
Other Assets	2,237,695	1,638,388	(599,307)	-26.78%	(note 2)
Total Assets	659,467,182	614,626,933	(44,840,249)	-6.80%	
Current Liabilities	498,127,585	443,195,843	(54,931,742)	-11.03%	
Long-term Liabilities	20,112,501	29,499,825	9,387,324	46.67%	(note 2)
Total Liabilities	518,240,086	472,695,668	(45,544,418)	-8.79%	
Total equity attributable to owners of parent	134,896,686	135,641,811	745,125	0.55%	
Share capital	38,626,274	38,626,274	0	0.00%	
Capital surplus	14,085,280	14,090,564	5,284	0.04%	
Retained Earnings	88,240,188	90,494,982	2,254,794	2.56%	
Other Adjustments	(5,721,962)	(7,236,915)	(1,514,953)	26.48%	(note 2)
Treasury shares	(333,094)	(333,094)	0	0.00%	
Non-controlling interests	6,330,410	6,289,454	(40,956)	-0.65%	
Total Stockholders' Equity	141,227,096	141,931,265	704,169	0.50%	

#### (2) Description of items with significant changes (changes over 20%):

Other assets:

decreased significantly from the previous year due to adoption of IFRS 16, where the long-term advance rent of right-to-use assets was recognized as "0".

Non-current liabilities:

increased significantly from the previous year due to increased long-term borrowing as a result of special government loan on "Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan"

Other adjustments:

decreased significantly from the previous year due to reduction in exchange differences from converting net assets of overseas operating entities.

#### (3) Influence of significant financial changes in the past two years and future countermeasures:

From the above analysis, changes in the financial difference in the past two years do not significantly impact the statement of financial position.

## 2. Analysis of Operation Results

### (1) Analysis of Operation Results

Unit: NT\$ thousands

Item \ Year	2018	2019	Difference		Analysis of Changes
			Amount	%	
Net Sales	1,027,991,038	1,029,611,414	1,620,376	0.16%	
Gross Profit	43,871,961	49,167,659	5,295,698	12.07%	
Operating Income	14,295,496	18,990,906	4,695,410	32.85%	(note 1)
Non-operating Income and Expenses	4,880,913	1,560,715	(3,320,198)	-68.02%	(note 2)
Income Before Tax	19,176,409	20,551,621	1,375,212	7.17%	
Profit (loss) from continuing operations	15,332,361	16,314,805	982,444	6.41%	
Income from discontinued operations, net of income tax effect	-	-	-	-	
Net Income	15,332,361	16,314,805	982,444	6.41%	
Other comprehensive income, net	475,468	(1,611,098)	(2,086,566)	-438.84%	(note 3)
Total Comprehensive Income for the year	15,807,829	14,703,707	(1,104,122)	-6.98%	
EPS	3.92	4.14	0.22	5.61%	

Note: Analysis and description of ratio changes (for changes over 20%):

1. The operating income increased YoY due to improvement in product mix which increased gross profit. Stringent cost control also reduced administrative expenses.
2. The non-operating income and non-operating expense decreased as the foreign exchange gains decreased YoY due to the USD exchange rate fluctuation. The USD depreciated by 2.44% in the current period comparing with the previous period, the net foreign exchange gains thus decreased YoY.
3. The other comprehensive income (net after tax) reduced YoY due to the exchange differences on translation of foreign operations' financial statements as a result of exchange rate fluctuation.

### (2) Business forecast in the next year

#### i. Expected sales and basis:

In 1Q 2020, the revenue was NT\$190.3 billion, and about 7.3 million NBs were shipped. The growth of NB shipment in 2020 would be limited due to continued supply constraint of Intel CPUs, the US-China trade war, and COVID-19. In addition, the trend of steady sales growth in cloud infrastructure is expected, benefitting from the global demand for cloud computing and continuous deployment of 5G infrastructure. Quanta will constantly promote the establishment of Q-factory through developing R&D capacity, deepening delicacy management, and straightening cost control to optimize manufacturing technology and enhance the level of automation.

#### ii. Potential influences on future finance position and countermeasures:

To maintain long-term growth momentum, reduce over-dependency on specific regions, prevent potential high tax risk, and respond to customer demands, we carefully assess operational resources, review and adjust our global strategic deployment, in order to deal with the structural change in the global economic and political situations and to ensure long-term competitive strength for a better

foundation of sustainable development. Our current production bases include Taiwan, mainland China, the U.S., Europe, and South East Asia.

Through diversifying production plants and increasing the mobility of local production capacity, we have effectively diminished the risk associated with overly concentrated production base. Our manufacturing sites in Taiwan have the geographical advantage of proximity to our R&D headquarters, which enables us to closely integrate R&D with production to achieve the synergy of “Time to MP (Mass Production)” and thereby accelerate our process of innovation. At the same time, we have introduced “Q-Factory” (Industrial 4.0) in our production plants for reasonable, automated and smart processes to gradually increase the adoption of automated production and to further enhance plant efficiency. Quanta continues to improve the engineering skillset in product manufacturing coupled with our innovative capability through R&D talents, we have redefined the next-generation of “Made in Taiwan” to provide products and services with higher value-add to the market.

### 3. Analysis of Cash Flow

#### (1) Liquidity of the year

Unit: NT\$ thousands

Item \ Year	2018	2019	Difference	
			Amount	Ratio (%)
Cash and Cash Equivalents, Beginning of Year	198,763,364	211,281,084	12,517,720	6.30%
Net Cash Flow from Operating Activities	17,013,223	37,734,664	20,721,441	121.80%
Net Cash Flow from Investing Activities	(3,514,018)	1,805,472	5,319,490	-151.38%
Net cash flows from financing activities	(5,461,496)	(53,546,740)	(48,085,244)	880.44%
Effect of exchange rate changes on cash and cash equivalents	4,480,011	(4,668,903)	(9,148,914)	-204.22%
Net increase (decrease) in cash and cash equivalents	12,517,720	(18,675,507)	(31,193,227)	-249.19%
Cash and Cash Equivalents, End of Year	211,281,084	192,605,577	(18,675,507)	-8.84%

1. The operating cash inflow was 37,734,664,000 due to increase in operating profit and positive net changes in asset and liability from operational related activities.
2. The investing cash inflow was NT\$1,805,472,000 due to the acquisitions of property, plant, and equipment (PP&E) as well as decrease in financial assets.
3. The financing cash outflow was NT\$53,546,740,000 due to the decrease in short-term borrowing and repayment of long-term debts.
4. Cash and cash equivalents decreased as a result of volatility in exchange rate leading to less foreign exchange gains from assets denominated in USD compared to the previous year.

#### (2) Improvement plans for liquidity shortfall and liquidity analysis of the next year:

There is no report of liquidity shortfall.

### 4. Major Capital Expenditure Items and Impact on Financial and Business

The Company's strategic deployment focused on “R&D and innovation” and “manufacture upgrading.” Important capital expenditure plans were implemented based on these two themes. So far, we have established production sites in Taiwan, mainland China, the U.S.,

Europe, and Southeast Asia. We've recently expanded production lines in Hwa Ya Technology Park and further expanded capacity in Taiwan to manufacture products with high ASP and high value-add. We've also built production sites in Thailand to manufacture labor-intensive products. Through proper diversification of our production sites in Taiwan and Southeast Asia, we helped customers to mitigate the tariff risk from US-China trade war and enhanced the flexibility of our sales force to offer diversified production sites for customers when bidding for orders.

## **5. Re-Investment Policies**

### **(1) Re-investment policy and re-investment plan in the next year**

We make re-investments after overall consideration of the needs for business growth, customer's overseas expansion, vertical integration and carefully assess investment plans based the Company's long-term strategy.

The major investment projects and plans will cover the following areas:

- Investments related to cloud computing and AI: Actively seek appropriate partners and suitable targets for technological cooperation, market cultivation, strategic alliance, investments, and joint venturing to expand the territory of our cloud computing business and accelerate the development of new AI applications in different vertical markets.
- Investments for the capitalization and expansion needs of the Company and overseas subsidiaries: Apart from offering proximate services for customers, we make appropriate resources allocation in consideration of operational needs, such as future business expansion, cost reduction, and risk diversification. We also make adjustments corresponding to market changes.
- Key materials and technologies: To increase control over key components, parts and related technologies, the scope of investment will cover the parts, components, key materials and technologies of existing products and products with future developmental potential, in order to synergize vertical integration and enhance competitiveness.
- Green energy industries: By increasing investments in green energy, we can develop energy conservation and waste reduction technologies and green energy technologies to implement the CSR policy and facilitate sustainable environment.
- Others: We support the development projects of emerging technologies, invest in startups that develop emerging technologies and others.

### **(2) Major cause(s) of gains and losses from reinvestment**

We make reinvestments with the equity method for a long-term strategic goal to either complement or synergize Quanta with the entities in emerging technology development of business cultivation, in order to create complementary and multifaceted synergies (including but not limit to direct financial returns). In 2019, a total of NT\$23,216,000 was recognized as the loss from reinvestments through the equity method. In the future, we will continue to make long-term investments with careful assessment of reinvestment plans.

## 6. Analysis of Risk Management

BoD assumes full responsibility for the establishment and supervision of the risk management framework of consolidated subsidiaries. The president is responsible for the development and control of the risk management policy of consolidated subsidiaries and report their operation to BoD regularly.

We establish the risk management policy for consolidated subsidiaries to identify and analyze the risks they might face. We also set appropriate exposure limits and risk control and supervise their risks and compliance with the exposure limits. We review the risk management policy and system regularly to reflect the market condition and the operational changes of consolidated subsidiaries. Through training, management standards, and operating procedures, consolidated subsidiaries develop a disciplined and constructive control environment for all employees to understand their roles and responsibilities.

The management of a consolidated subsidiary supervises the subsidiary's compliance with the risk management policy and procedures and reviews the suitability of related risk management frameworks for the risks the subsidiary might face. Internal auditors help the audit committee of consolidated subsidiaries with the supervision. Those personnel perform regular and exceptional audits of the risk management controls and procedures and report the audit results to BoD.

The organization and responsible units of our risk management functionary are as follows:

- President's Office: Assess operational risk and plan and supervise the target implementation and risk response measures of each department.
- Audit Team: Review the existing or potential risks of each operation to draw up and implement the risk oriented annual audit program, and amend and implement the internal control system.
- Financial Center: Take charge of financial management and application of funds; establish hedging mechanism; assess and control financial risk, liquidity risk, credit risk, and tax planning; manage risks in relation to financials and implement countermeasures.
- Legal Affairs Department: Take charge of legal risk management, review various contracts and provide legal consultation service, and handle legal disputes and litigious events to reduce legal risk.
- Management Information System Center: Assess the information security risk of IT systems, networks, computers, servers, and related peripherals and implement countermeasures.
- Human Resources Center: Help all units assess and respond to risk of labor required for achieving operational targets and promote human resource policies.
- Business Unit: Assess market risk and implement countermeasures; perform annual operational targets and implementation plans; assess customer and order risks and implement sales control measures.
- R&D Unit: Assess product design and R&D project risk and implement countermeasures.

- (1) Influence on the corporate income of changes in the interest rate and exchange rate and inflation, and future counter measures:

i. Influence on corporate income:

Unit: NT\$ thousand

Item	2019		
	Amount	As % of Revenues	As % of pre-tax Profits
Interest Income (Expense)	477,825	0.05%	2.32%
Foreign Exchange Gain (Loss)	1,453,236	0.14%	7.07%

ii. Future countermeasures:

A. Interest rate and inflation:

We have a well-established financial structure. In loan interest rate, we will maintain closer contact with banks and keep track of the trend of interest rate to strive for the most favorable loan interest rate. In the utilization of short-term idle funds, low-risk bank deposits, secure commercial papers, and bond funds will be the common investment instruments. Both interest rate and inflation will have little influence on the corporate income.

B. Exchange rate:

As we export products primarily to Europe and the U.S., products are usually quoted in USD, and the international trend of USD is indispensable to our exchange gains and losses.

Due to the global economic and political instabilities, apparent recovery of the global economy has not been seen yet, we thus take the following actions to reduce exchange rate risk:

- a. Specify the operating strategy of foreign exchange and maintain strict process control to monitor changes in the exchange rate.
- b. Gather information regarding exchange rate changes at all times and maintain close contact with banks to fully capture the exchange rate trend and timely adjust the foreign currency position to hedge exchange rate risk.
- c. Consider exchange rate in sales quotations for reasonable profit of the Company.

(2) Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments:

- i. Our operations focus on R&D, manufacturing, and sales, and we do not engage in high-risk and high-leverage investments.
- ii. We are conservative in financial stance and have never engaged in high-risk and high-leverage investments of any kind. When offering lending, endorsements, and guarantees or engaging in derivatives investments, the purpose will be mainly for hedging operational risk. All hedging strategies are aim to avoid risk from business operations. Risk management is implemented with regularly assessed control system. Apart from careful assessment, we perform regular audits and disclose and report the results by law based on the regulations of the competent authority and the Company.

- iii. We proceed with lending, endorsement, and guarantee in accordance with the Company's "Procedures for Lending Funds to Other Parties, and Endorsements & Guarantees".
  - iv. Derivatives are invested to hedge operational risk and exchange risk. In addition, we have established the "Acquisition and Disposal of Assets Procedure" for implementing derivatives investments.
- (3) Future R&D projects and planned R&D expenditure:
- i. Strategy and goals of innovation and R&D  
 Adhering to the "Making Tools for AI" as innovation and R&D strategy, we can quickly combine the application ecosystem of big data management to produce complete artificial intelligence solutions based on the mature technologies of "new 3C" (cloud computing, connectivity, and client devices), mature products, and mature business models. With these AI solutions, we can offer total solutions with market advantages to areas including consumer/commercial/industrial IoT; smart manufacturing, autonomous vehicle; smart hospital; telemedicine and remote healthcare; and 5G applications. Apart from continuous engagement of innovation and R&D in the above areas, we further enhance the development of "3S" - software, service, and system integration, hoping to quickly respond to market demands, become an industry-leading system solution provider, and realize the core belief "humanized automation service" to provide customers with the best product and service value. From the "new 3C", big data management to AI, we integrate the advanced technology tools to various product lines and thus are able to propose integrated solutions that are superior to that of competitors to help realize "3A Coverage" - enabling uninterrupted access of various smart services over the cloud at anytime and anywhere by anyone.
  - ii. R&D plans in recent years:  
 The R&D project currently in progress is to develop a platform as a total smart solution for integrating resources with AI healthcare and IoT. With cloud computing technology, we develop an architecture suitable for massive deployment of data centers, including the collaborative operation and parallel processing of high-performance heterogeneous platforms, high-speed network virtualization technology, high-speed disk cache technology, and integrated management technologies. Apart from the flexible planning of healthcare systems in different scales, this platform supports high availability and fast failure recovery to reduce hardware redundancy needs. Cloud technologies in development include the "telemedicine cloud system", "remote healthcare system", "smart ECG/EKG", "smart multimedia system", and "5G technology". We will integrate our advanced technologies in servers, wireless networks, and client devices to develop integrated solutions superior to that of competitors.

For smart hospitals, we continue to strengthen the "smart ward cloud caring system" that includes the "smart healthcare infotainment terminal", "smart medical cart", and "smart nurse station whiteboard", and the corresponding private cloud platforms for seamless connect with existing healthcare IT systems of hospitals. We've also launched the brand new "Quanta AI Medical Cloud" in 2019 to provide hospitals with a high-performance AI

management platform for precision medicine with outstanding structured data and AI training management.

For remote medical care, we have adjusted the functions of smart medical carts to combine cloud computing technology to build collaborative diagnosis system that timely integrates inter-hospital data. In addition, we provide customized solutions tailor made to different customers' requirements, including "Smart Remote Health Care System" and a full range of smart wearable devices, as well as a complete remote medical care management solution that integrates private cloud platforms, machine learning, big data analysis, and application software.

In AIoMT, we have developed smart wearables/diagnostic devices such as the "smart ECG/EKG", "smart wireless intraoral camera", and "smart wireless otoscope" equipped with various autonomous management functions. By integrating AI, AR, and VR technologies, these solutions offer scalability and value-added services based on actual needs for hospitals and for homes through highly-integrated hardware and software designs and the cloud-based architecture. They also integrate and analyze huge clinical data for developing smart applications to help make medical decisions, enhance healthcare service efficiency, reduce medical costs, improve care quality, and thereby create greater long-term commercial value.

Based on goal of "precision medicine", the "smart ECG/EKG" leverages AI technology to offer all round medical services by realizing the "4P": "participate", "personalize", "predict", and "prevent". With handy and durable designs, the "smart ECG/EKG" is suitable for use in many scenarios. Through the collaboration of edge computing and cloud computing, the "smart ECG/EKG" brings a major change in the care pattern of cardiovascular diseases. Apart from simplifying clinical processes and optimize telecare experience, it realizes the vision of AIoMT -- "prevention of illness and prevention of disease course changes". In addition, it integrates people (patients and clinical healthcare personnel), data (patient data or treatment result data), process (healthcare services and patient support services), and key technologies (interconnected medical devices and apps) to provide effective medical alert or improve treatment.

In addition, the "Heart and Lung Sounds Auscultation Device" in development will become the best tool for remote medical care and long-term homecare. The device combines AI-assisted analysis and online consultation functionalities, so that the heart and lung sounds and the health condition of patients suffering from cardiopulmonary diseases can be continuously monitored and captured at all times for early cure and to prevent patients from missing the best time for treatment.

In view of the demand for services in relation to the production, manufacture, storage, and distribution of digital contents is rising, we have started the "multimedia system" development on the cloud platform. Key initiatives include the research and development on heterogeneous multicore processor, technology for setting up a multimedia cloud, and planning the optimal design of hardware combination based on the characteristics of processor algorithm. The system is also equipped with the scalable cloud computing architecture for multimedia encoding and decoding process. Together with the computer



vision algorithm, the system can be used for big data analysis and processing in relation to massive multimedia, which has become a global trend.

In “5G technology” development, as 5G will reshape the operational model of all industries in relation to smart city, smart manufacturing, and smart living, it has become the most concerned and the most influential technology that is different from the past network architectures. With NFV and SDN, 5G separates hardware from software. It combines hardware with open source software for managing large data transmission and reducing network deployment cost significantly. Therefore, 5G technology is characterized by its high frequency, broad bandwidth, high speed, and low latency. Its three main application scenarios are:

- Enhanced Mobile Broadband (eMBB) : Enhance network coverage and traffic/bandwidth to support larger and faster data transmission, such as AR and VR requiring intensive computing.
- Big IoT application services or eMTC (Massive Machine Type Communications): Smart home and smart city.
- Key business services: Autonomous vehicle, Q-factory, and smart healthcare.

Based on the existing foundation of cloud technology and cloud product development, we expand product offerings from cloud computing to the “central office equipment” market. Ridding the traditional OEM/ODM model, we keep close cooperation with the key technology partners and customers in the 5G ecosystem, and actively engage in research and development in CORD and participate in the ecosystem of open platform for NFV (OPNFV). Apart from acquiring NFVI certification from Intel for related products, we have introduced a range of 5G infrastructure solutions for telcos and ISPs. In addition, we provide NFVI optimized platforms in carrier class and offer SDN solutions based on Intel architecture (IA) system performance consistency to fulfill the demand for high network performance and low latency of telcos.

Mobile data traffic will increase rapidly, making exiting Marocell-based traditional cellular networks unable to support the high traffic loads. As there are other problems including the difficulty of site location selection, high construction cost, and signal coverage, the connection architecture of mobile broadband is on transit to the heterogeneous network architecture design integrating large and small base stations.

On the base of current connectivity technology, we aggressively develop small cells that can enhance signals in specific areas and divert network traffic. With our advantages in hardware and software R&D, system integration, and manufacturing capacity, we turn small cells into key equipment for full-range signal extension and in-depth coverage to address the needs for 5G mobile telecommunication, increase the bandwidth and network speed for personal and business users, support mass smart networks, and enhance indoor signal coverage.

In client device, VR devices have a lower cost and faster popularization, while AR devices have a board scope of application and are more practical. Apart from entertainment, VR applications have gradually expanded towards the enterprise level covering education, healthcare, and the manufacturing industries. AR and VR have been used in the media,

education, work, social media, travel, and retail. However, present VR devices often make users feel uncomfortable and dizzy. As huge traffic arises from vision change and image quality enhancement in a virtual reality application, and the 4G network can neither support such a data transmission speed nor reduce the latency time to prevent users from dizziness. The broad bandwidth, high transmission rate, and low latency characteristics of 5G are the key to success of VR technology development.

AR devices are penetrative and can be the next-generation mobile platform. Therefore, apart from continuing VR device development, we actively engage in the R&D of AR devices to deploy various technologies on different platforms. Our development focus includes:

- Early collaborative development and shared platform development of AR core chipsets.
- Collaborative development of new technology and commodification with suppliers of different types of waveguides.
- Early strategic alliances of important light source and the next-gen display chipsets.
- Establishment of the key technologies in AR, including the reconstruction and voice recognition of six degrees of freedom, depth detection, and 3D space.
- Co-development with important suppliers in social media, instant message, and cloud service providers to develop products that meet market demands.

iii. Estimated R&D expenditure:

We invest one percent of the revenue as the R&D expenditure every year. The amount increases every year. The estimated amount for R&D investment is expected to exceed NT\$15.8 billion in 2020. After the establishment of Quanta Research Institute, apart from hardware development, the subsequent infrastructure and technology development will be the focus.

iv. Major factors affecting R&D success in the future:

“Time to End User, Time to Volume, Time to Market, and Time to Technology” are our core competencies and based on which we maintain leaderships in the market and technology development. “Mobile Solution, Enterprise Solution, and Entertainment Solution” are the three forces that drive our growth. These forces from technology R&D and customization are also the drive toward the future market. By building and utilizing infrastructure for knowledge management, we continuously create, transform, and integrate these forces as the power that drives constant growth and sustainable development. Therefore, factors which impact on our core competencies and growth forces of “Mobile Solution, Enterprise Solution, and Entertainment Solution” will be the major factors affecting our R&D success in the future.

Quanta has established “Knowledge and Innovation Management System” which includes “the innovation and R&D assistance system”, “e-learning system”, “product data management system”, “Quanta knowledge management platform” as the core of knowledge and innovation management. Factors affecting the “innovation and R&D assistance system” include: provision, promotion, and utilization of innovation assistance tools and innovation skills; training for innovation and R&D personnel; strategy planning

for innovation and R&D; and the integration of innovation and R&D with the market environment. Factors affecting the “e-learning system” include: the development of teaching methods and teaching contents; dissemination of teaching contents, and learning experience management.

Factors affecting the “Quanta knowledge management platform” include: user interface, technology for interlanguage analysis, rapid knowledge sharing, and effective knowledge accumulation. Factors affecting the “product data management system” include product development process control, material control, EC control, document digitization, and product record management. Other factors include: SOP control, integration of internal database and technical document database, technology analysis and strategy planning, and integration of innovation, R&D and management.

- (4) Influence of significant changes in policies and laws at home or abroad on finance position and business operations and countermeasures:  
We keep close track on any policies and laws that may affect operations and adjust related internal systems accordingly to ensure legal compliance.
- (5) Influence of technology and industry changes on finance position and business operations and countermeasures:  
There was no report of influence of technology and industry changes on finance position and business operations in the previous year.
- (6) Influence of corporate image change on crisis management and countermeasures:  
There was no report of influence of corporate image change on crisis management in the previous year.
- (7) The expected benefits and potential risks of mergers and acquisitions  
No merger or acquisition was performed in the previous year.
- (8) The expected benefits and potential risks of factory expansion and countermeasures  
In 2019, Quanta expanded production capacity in Taiwan in the Hwa Ya Technology Park, including expansion of expansion of QC1, establishment of production capacity in QC2 and QAT (Dong Yuan Plant), as well as new construction of the Third Production Plant. Furthermore, Quanta has extended our manufacturing capacity into Southeast Asia for the first time by establishing a new production plant in Thailand. At the same time, our current production and manufacturing bases in China, the U.S. and Europe have also been further optimized.

The expected benefits, potential risks, and countermeasures of plant expansion are summarized as follows:

- 1. Expected benefits
  - Provide customers with better choices and services through comprehensive deployment strategies and construction of high-efficiency production bases.
  - Enhance our responsiveness to production sites to address the unfavorable impacts on the complex global supply chain and changes on global economy brought upon by the trade war.

- Strengthen competitiveness and secure long-term relationship with customers.
- Reduce production cost to enhance competitive strength.

## 2. Potential risks

- Potential risks associated with establishing manufacturing sites in new regions may include cultural differences and regional risks.
- Supply constraint in logistics and the supply chain due to the COVID-19.

## 3. Countermeasures

- Implement “Q-Factory” (Industrial 4.0) in our production plants for reasonable, automated and smart processes to gradually increase the adoption of automated production and to further enhance plant efficiency.
- Increase the mobility of regional capacity to disperse the risk associated with overly concentrated production.
- Enhance culture publicity to grow with local employees and suppliers through collaboration in a unified corporate culture.
- Constantly optimize the process and technology of high-tech products, combine the innovation energy of R&D talents, and re-define the new-generation of “Made in Taiwan” to provide markets with higher value-added products and services.

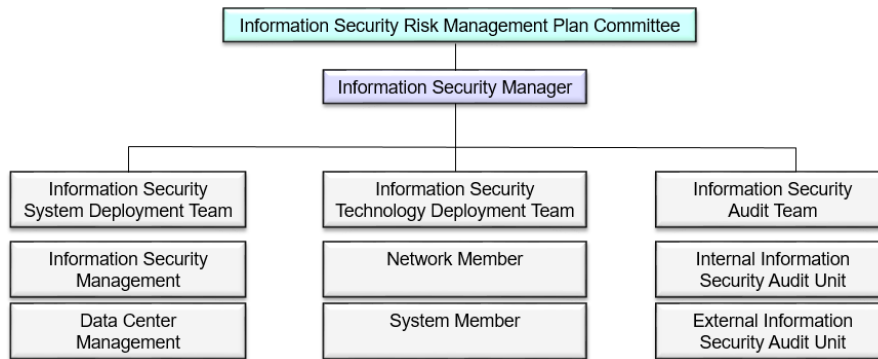
- (9) The potential risk of procurement or sales centralization and countermeasures  
Most of our major customers are leading companies at home and abroad, and there is no significant change in the past two years. As we hold diversity material suppliers and cultivate new sources, procurement centralization is not a major risk or concern to us.
- (10) Influence and potential risk of the massive transfer or conversion of shares by Directors or dominant shareholders with over 10% of the stakes and countermeasures  
The combined stakes of Directors or the dominant shareholders with over 10% of the stakes are about 44.6%, and there is no report of massive transfer or conversion of shares.
- (11) Influence and risks of management change and countermeasures  
The management is stable and as the combined stakes of Directors or the dominant shareholders with over 10% of the stakes are about 44.6%, there is no risk of management change.
- (12) Litigious or non-litigious events:
- Major litigious or non-litigious events and administrative remedies
    - Litigious events:  
Please refer to litigious events listed in the Company’s financial statements for details.
    - Non-litigious events:  
There was no continuing non-litigious event in the past two years.
    - Administrative remedies:  
There was no continuing administrative remedy in the past two years.
  - Major litigious or non-litigious events or administrative remedies of Directors, president, dominant shareholders with over 10% of the stakes, and affiliates

In the previous years and by the date of report publication, there is no report of major litigious or non-litigious events or administrative remedies on the above roles.

(13) Other important risks and countermeasures

The management framework and management programs of information security risk.

i. Management framework of information security risk



ii. Management framework and management programs of information security risk

We have established an ISMS (Information Security Management System) to manage information security risk. The framework of our internal risk management organization layouts as following: the management information center under general admission office implements information security management; the planning committee of the risk management organization led by the senior vice president of general admission office and the chief of the management information center is formed by members implementing the information security program. The manager in charge of information security management of the management information center is the information security manger under the committee. The organization consists of the team of establishing information security system, the team of implementing information security technology, and the team of information security audit. The information security system establishment team establishes and maintains various information security management systems; the information security technology implementation team builds the information security system including network management and system management; and the information security audit team performs information security audits in coordination with the audit units, including internal audit and external audit. The information security risk management unit is a subunit of Proprietary Information Security (PIS). It reports information security to the PIS meeting semiannually and review information security policies.

We establish our information security policy according to the ISMS certification standards. We have also established risk management systems for individual information systems and information services. Risk assessment on information security and network risk is performed based on the risk assessment process and risk control is implemented according to the influence level and incidence rate of risk. We implement corresponding management mechanism on high-risk systems based on assessment, establish high availability (HA) high reliability architecture, data backup (transaction records, differential backup, and full back up), and offsite backup server rooms to ensure business continuity. We also set up dedicated lines to send backup data to offsite

storage and perform system switch semiannually to ensure the normal operation of the backup mechanism and comply with the system restoration target.

We have also bought information security insurance to cover all types of information security risks. We have established processes to handle and address the influence of major information security events for the reference of employees to handle and address information security events. We also set information security as a focus of awareness education. Every year, PIS arranges related courses and awareness education activities to raise the employee's awareness of information security. We also perform information security risk audits regularly to ensure the effective operation of the information security risk management mechanism.

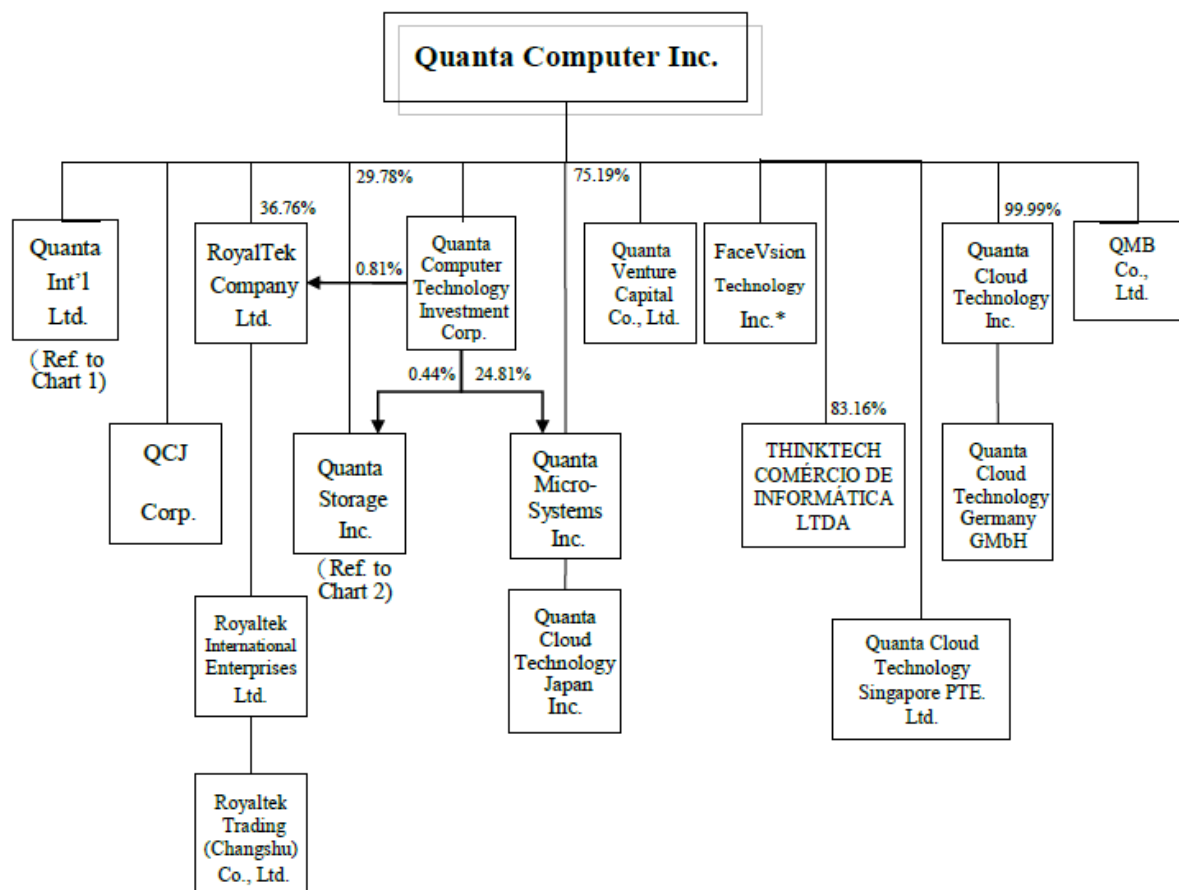
## **7. Other Material Information**

N.A.

## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

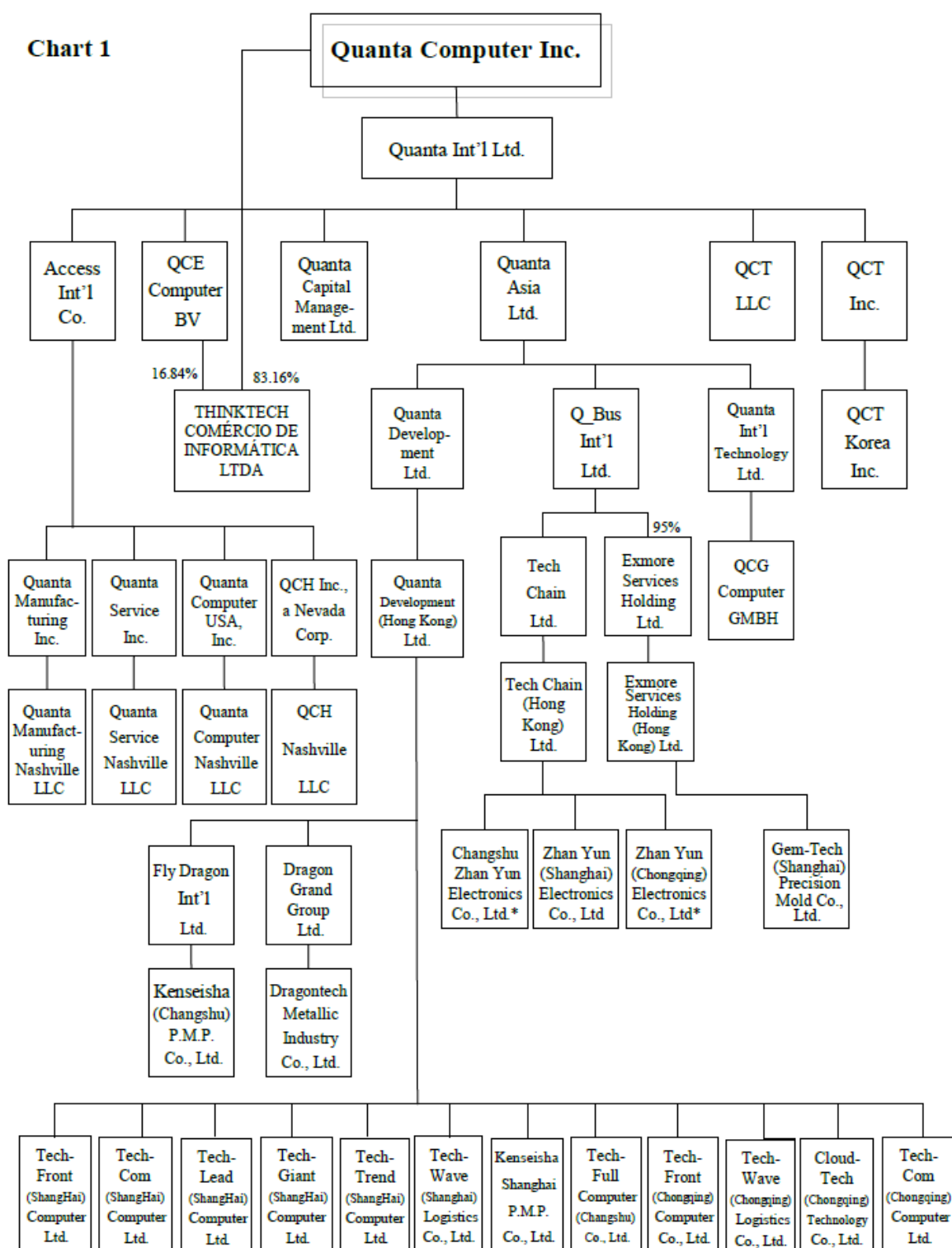
#### (1) Organization Chart



\* Note 1: Ownership is 100% unless otherwise specified.

\* Note 2: FaceVtion Technology Inc. filed for liquidation on March, 2019.

Chart 1



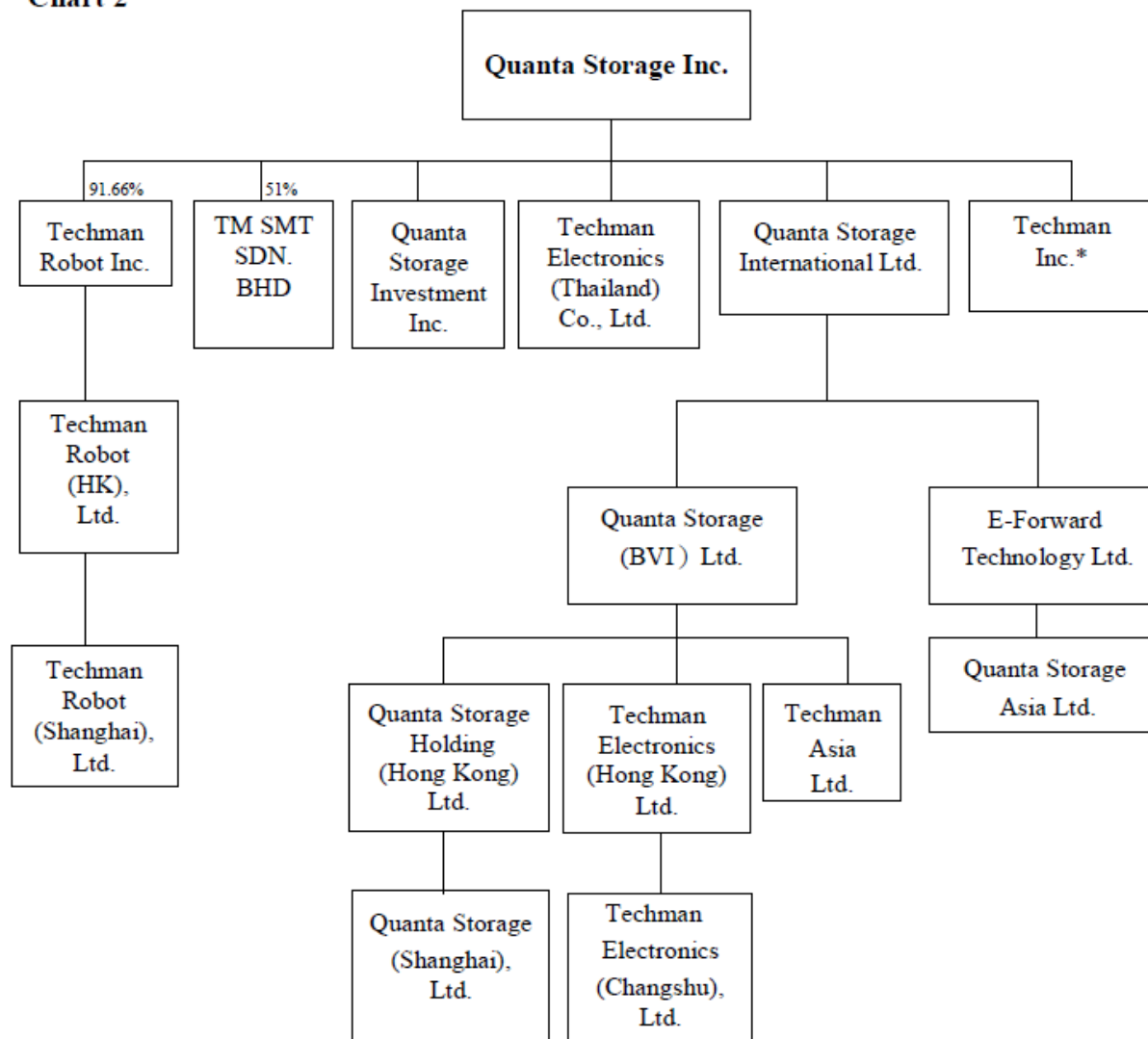
\* Note 1 : ownership is 100% unless otherwise specified

\* Note 2 : Changshu Zhan Yun Electronics Co., Ltd., filed for liquidation on March, 2019

\* Note 3 : Zhan Yun (Chongqing) Electronics Co., Ltd., filed for liquidation on Oct., 2019.



**Chart 2**



\* Note: Ownership is 100% unless otherwise specified

\* Note 2: Techman Automation Incorporated was renamed to Techman Inc. on Feb., 2020

## (2) Summary of Affiliated Companies

Unit: NT\$ thousand

Name of Affiliated Company	Date of Establishment	Address	Paid-In Capital	Principal Activity or Major Operation
Quanta Storage Inc. (QSI)	02/10/1999	3F., No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 2,783,589	Optical Company
Quanta Venture Capital Co., Ltd.	12/07/1999	10F., No.76, Bo'ai Rd., Zhongzheng Dist., Taipei City, Taiwan	NT\$ 1,000,000	Venture Capital
Quanta Computer Technology Investment Corp.	01/12/2005		NT\$ 600,000	Investment Company
Quanta Micro-Systems Inc.	02/20/2006	No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 232,750	Electronic Company
RoyalTek Company Ltd.	12/23/2000	4F., No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 506,077	Design, manufacture, processing, distribute, and sale of satellite guided navigation systems and peripherals, navigated maps and digital maps
Quanta Cloud Technology Inc.	02/08/2007	9F., No.118, Hougang St., Shilin Dist., Taipei City, Taiwan	NT\$ 282,000	Sale of computers and peripherals
Quanta International Limited (QIL)	07/23/1998	PO Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	US\$ 724,844	Holding Company
QCJ Corp.	06/29/2004	ATC Building 5F, 2-1-10 Nankoukita, Suminoe-ku, Osaka City, Japan	JPY 10,000	After-sales service and sale of computers and telecommunication products
QMB Co., Ltd.	08/15/2019	No. 238 Moo 2 Tambon Nongchak Amphoe Banbueng Chonburi, Thailand 20170	THB\$ 1,000,000	Manufacture and sale of consumer products
Quanta Cloud Technology Singapore PTE. Ltd. (QCTS)	01/01/2020	8 Cross Street #28-01 Manulife Tower, Singapore 048424	US\$ 1,000	Sale of computer peripherals
QCE Computer B.V. (QCE)	11/27/1998	Looskade 20, Roermond 6041 LE, Netherlands	US\$ 4,918	Sale and after-sales services of computer peripherals
Access International Company (AIC)	11/17/1998	1912 Capital Avenue, Suite 406, Cheyenne, WY 42003, USA	US\$ 6,280	Holding Company
Quanta Asia Ltd. (QAL)	06/14/2000	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US\$ 661,586	Investment company and after-sales services
Quanta Capital Management Ltd. (QCML)	04/17/2001		US\$ 5,042	Investment Company
Quanta Manufacturing Inc. (QMI)	12/18/1998	45630 Northport Loop East, Fremont, CA 94538, USA	US\$ 1,357	Assembly and processing of laptop computers and peripherals
Quanta Service Inc. (QSI-USA)	12/18/1998		US\$ 417	After-sales service of computers and peripherals

Quanta Computer USA, Inc. (QCA)	04/23/1991		US\$ 1,074	After-sales service of laptop computers and peripherals
QCH Inc., a Nevada Corp. (QCH)	07/21/1999	100 West Liberty Street, 10th Floor, Reno, NV 89501, USA	US\$ 1,000	Sale of laptop computers and peripherals
Quanta Development Ltd. (QDL)	06/15/2000	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US\$ 514,289	Holding Company
Quanta International Technology Ltd. (QIT)	12/12/2000		US\$ 4,962	Sale of computers and peripherals, and investment company
Q_Bus International Ltd. (Q_Bus)	09/28/2005	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 267,424	Holding Company
Quanta Manufacturing Nashville LLC (QMN)	05/16/2003	1621 Heil Quaker Boulevard, LaVergne, TN 37086, USA	US\$ 1,350	Assembly and processing of laptop computers and peripherals
Quanta Service Nashville LLC (QSN)	06/18/2003		US\$ 10	After-sales service of computers and peripherals
Quanta Computer Nashville LLC (QCN)	06/18/2003		US\$ 10	After-sales service of laptop computers and peripherals
QCH Nashville LLC (QCHN)	06/18/2003		US\$ 420	Sale of laptop computers
QCG Computer GMBH (QCG)	01/07/2004	Indelandstrasse 2+4, 52249 Eschweiler, Germany	EUR 9,670	Assembly and processing of computers and peripherals
Tech Chain Ltd. (TCL)	09/24/2001	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	US\$ 233,900	Holding Company
Exmore Services Holding Ltd. (EXM)	01/18/2001		US\$ 10,000	Holding Company
Quanta Development (Hong Kong) Ltd. (QDLHK)	11/07/2007	1501 Capital Centre, 151 Gloucester Road, Wan Chai, HK	US\$ 601,948	Sale of computers and peripherals and investment company
Tech Chain (Hong Kong) Ltd. (TCLHK)	11/07/2007		US\$ 244,212	Investment Company
Exmore Services Holding (Hong Kong) Ltd. (EXMHK)	11/07/2007		US\$ 14,282	Investment Company
THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	06/26/2003	Rua José Paulino, 2236-conjunto 44; ZIP CODE: 13.023-102; Campinas/ São Paulo; Brazil	BRL\$ 114,097	Sale of computers and peripherals
QCT LLC	03/18/2011	1010 Rincon Circle, San Jose, CA 95131, USA	US\$ 12,100	Sale of computer Peripherals
QCT Inc.	03/16/2012	PO Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	US\$ 100	Investment Company

QCT Korea Inc.	11/14/2012	10F, Kyobo Securities Bldg. 97, Uisadang-daero, Yeongdeungpo-gu, Seoul, 07327, South Korea	KRW 100,000	Sale of computers and Peripherals
Quanta Cloud Technology Germany GmbH (QCTG)	08/09/2016	Hamborner Str. 55, 40472 Düsseldorf, Germany	EUR 4,000	Sale of computer Peripherals
Tech-Front (ShangHai) Computer Ltd.	12/07/2000	No. 2, Alley 58, Sanzhuang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 120,050	Manufacture and sale of computers and peripherals
Tech-Com (ShangHai) Computer Ltd.	12/07/2000	No. 68, Sanzhuang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 128,100	Manufacture and sale of computers and peripherals
Tech-Wave (Shanghai) LogisticsCo., Ltd.	04/22/2006	No. 9, Alley 58, Sanzhuang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 9,500	Storage service
Tech-Lead (ShangHai) Computer Ltd.	12/21/2010	Building F, No. 68, Rongjiang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 8,003	After-sales service of laptop computers
Tech-Giant (ShangHai) Computer Ltd.	12/21/2010	Building A,B & C, No. 68, Rongjiang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 9,903	Manufacture and sale of computers and peripherals
Tech-Trend (ShangHai) Computer Ltd.	12/21/2010	No.1-1, Alley 6, Lianyang Road, Songjiang District, Shanghai City, China	US\$ 8,540	Sale and after-sales service of computers and peripherals
Gem-Tech (Shanghai) Precision Mold Co., Ltd.	12/27/2001	No. 358, Nanle Road, Songjiang Industrial Zone, Shanghai City, China	US\$ 13,800	Manufacture and sale of non-metallic product molds
Tech-Full Computer(Changshu) Co., Ltd.	06/15/2006	No. 8, Jinzhou Road, High-Tech Industrial Park, Changshu Economic Development Zone, Changshu City, Jiangsu Province, China	US\$ 169,980	Manufacture and sale of computers, mobile communication, storage device, peripherals and accessories
Zhan Yun (Shanghai) Electronics Co., Ltd	04/05/2002	No. 1, Alley 8, Rongjiang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 83,000	Manufacture and sale of computers and peripherals
Kenseisha Shanghai P.M.P. Co., Ltd.	05/17/2007	No. 3111, West Huancheng Road, Minhang Export Zone, Shanghai City, China	US\$ 18,000	Manufacture and sale of precise machinery, peripherals and metallic molds
Tech-Front(Chongqing) Computer Co., Ltd	04/26/2010	No. 18, Zongbao Road, Shapingba District, Chongqing City, China	US\$ 48,000	Processing, manufacture and sale of computers
Tech-Wave(Chongqing) Logistics Co., Ltd.	07/19/2011		US\$ 5,000	Storage Service
Cloud-Tech (Chongqing) Technology Co., Ltd.	02/25/2014	Buliding 8, No. 88, ZengGuang Road, Shapingba District, Chongqing City, China	US\$ 1,000	Sale of servers and Switches
Tech-Com (Chongqing) Computer Co., Ltd.	05/23/2017	No. 18-9 & 10, Zongbao Road, Shapingba District, Chongqing City, China	US\$ 50,000	Manufacture and sale of computers, mobile communication, storage device, peripherals and accessories

Quanta Cloud Technology Japan Inc.	10/26/2011	Shibadaimon Makita Bldg. 3F, 2-5-8, Shibadaimon, Minato-ku, Tokyo City, Japan	JPY 10,000	Sale of computer peripherals
Fly Dragon Int'l Ltd.	08/19/2005	Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies	US\$ 25,200	Investment company and trading company
Dragon Grand Group Ltd.	03/20/2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 8,200	Investment company and trading company
Kenseisha (Changshu) P.M.P Co., Ltd.	01/12/2007	No. 15, Jinzhou Road, High-Tech industrial park Changshu Economic Development Zone, Changshu City, Jiangsu Province, China	US\$ 25,000	Manufacture and sale of machine cases, molds and tools
Dragontech Metallic Industry Co., Ltd.	08/01/2002	No. 5-6, Alley 8, Sanzhuang Road, Songjiang Export Processing Zone, Shanghai City, China	US\$ 7,200	Manufacture and sale of computers and peripherals
Royaltek International Eenterprises Ltd. (RTKI)	04/29/2010	Datec House,Ground Floor, Thonas Trood Street, Fugalei,Apia, Samoa	US\$ 1,423	Investment Company
Royaltek Trading (Changshu) Co., Ltd.	08/27/2010	No.9, Jinzhou Road, High-Tech Industrial Park, Changshu Economic Development Zone, Changshu City, Jiangsu Province, China	US\$ 1,384	Import and export business and wholesale of electronic products
Quanta Storage Investment Inc.	08/17/2004	2F, No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 28,000	Investment Company
Techman Robot Inc.	09/18/2005	4F, No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 545,500	Manufacture and sale of industrial collaborative robots
Techman Inc.*	08/10/2018	1F, No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan	NT\$ 500,000	Factory automation planning, installation and implementation
Quanta Storage International Ltd. (QSI(Cayman))	07/10/2001	Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Island	NT\$ 93,820	Investment Company
Quanta Storage (BVI) Ltd. (QSL(BVI))	07/23/2001	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 69,520	Investment Company
E-Forward Technology Ltd. (E-Forward)	08/08/2000	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia Samoa	US\$ 6,000	Manufacture and sale of computer storage device and peripherals
Quanta Storage Asia Ltd.	05/07/2003		US\$ 6,000	Sale and after-sales service of computer storage device and peripherals
Techman Asia Limited	03/09/2005		US\$ 1,000	Sale and after-sales service of computer storage device and peripherals
Quanta Storage Holding (Hong Kong) Ltd. (QHH)	11/07/2007	1501 Capital Centre, 151 Gloucester Road, Wan Chai, HK	US\$ 37,699	Investment Company

Techman Electronics (Hong Kong) Ltd.	11/07/2007		US\$ 37,787	Investment Company
Quanta Storage (Shanghai), Ltd.	11/29/2001	No. 6, Alley 66, Sanzhuang Rd., Songjiang Export Processing Zone, Shanghai City, China	US\$ 30,000	Manufacture and sale of computer storage device and peripherals
Techman Electronics (Changshu), Ltd.	01/21/2009	No.66, Dalian Road, High-Tech Industrial Park, Changshu Economic Development Zone, Changshu City, Jiangsu Province, China	US\$ 28,000	Sale and after-sales service of computer storage device and peripherals
Techman Robot (Shanghai), Ltd (TRS).	04/29/2019	Room 402-1, Building 6, No.1158, ZhongXin Road, Jiuting Town, Songjiang District, Shanghai, China	US\$ 3,000	Sale and after-sales service sale of industrial collaborative robots and components
Techman Electronics (Thailand) Co., Ltd.	06/02/2017	40/10-12 Moo 5, Rojana Industrial Park, Tambol U-Thai, Amphur U-Thai, Ayudhaya Province 13210	THB\$ 1,100,000	Manufacture and sale of computer storage devices and peripherals
Techman Robot (Hong Kong), Ltd. (TRH)	04/29/2019	1501 Capital Centre, 151 Gloucester Road, Wan Chai, HK	US\$ 3,000	Investment Company
TM SMT SDN. BHD. (JVM)	05/13/2019	1-10-7 SUNTECH@PENANG CYBERCITY LINTANG MAYANG PASIR 3 11950 BAYAN BARU PULAU PINANG MALAYSIA	MYR\$ 4,000	Sale of computer storage devices and peripherals

Note\*: Techman Automation Incorporated was renamed to Techman Inc. on Feb., 2020

(3) Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: NA

(4) Principle Activities of Affiliated companies:

Type of Business	Name of Affiliated Company	Principle Activities
Investment	Quanta Venture Capital Co., Ltd.	Long-term investment palnning and seek opportunities for strategic partnership
	Quanta Computer Technology Investment Corp.	Strategic Investment
	Quanta Capital Management Ltd.	Overseas Investment
	QCT Inc.	
	Quanta Asia Ltd.	Indirect investment in Asia and maintenance
	Quanta International Technology Ltd.	Indirect invsetment in Europe
	Quanta International Limited	Indirect investment in overseas maintenance, assembly and sales
	Access International Company	Indirect investment in U.S maintenance, assembly and sales
	Quanta Development Ltd.	Indirect investment and holding company
	Quanta Development (Hong Kong) Ltd.	
	Q_Bus International Ltd.	Indirect investment in overseas suppliers
	Tech Chain Ltd.	
	Exmore Services Holding Ltd.	
	Tech Chain (Hong Kong) Ltd.	
	Exmore Services Holding (Hong Kong) Ltd.	
	FDDT	
	FGT	

Type of Business	Name of Affiliated Company	Principle Activities
	Quanta Storage Investment Inc.	Investment company for Quanta Storage Inc.
	Quanta Storage International Ltd.	
	Quanta Storage (BVI) Ltd.	
	Quanta Storage Holding (Hong Kong) Ltd.	
	Techman Electronics (Hong Kong) Ltd.	
	Techman Robot (Hong Kong) Ltd.	
	Royaltek International Enterprises Ltd.	Investment company for RTK
Manufacturing for electronic products	Quanta Storage Inc.	Design and manufacture of optical products
	Quanta Manufacturing Inc.	Overseas assembly site
	Quanta Manufacturing Nashville LLC	
	QCG Computer GMBH	
	Quanta Micro-Systems Inc.	Design and manufacture of communication products
	RoyalTek Company Ltd.	Design and manufacture of wireless communication products
	Zhan Yun (Shanghai) Electronics Co., Ltd.	Manufacturing of metallilc products and molds
	Gem-Tech (Shanghai) Precision Mold Co., Ltd.	
	Kenseisha Shanghai P.M.P. Co., Ltd.	
	Tech-Front (ShangHai) Computer Inc.	Manufacturing and production of electronic prodcuts.
	Tech-Com (ShangHai) Computer Ltd.	
	Tech-Giant (ShangHai) Computer Ltd.	Manufacturing and production of electronic prodcuts.
	Tech-Full Computer (Changshu) Co., Ltd.	
	Tech-Front (Chongqing) Computer Co., Ltd.	
	Kenseisha Changshu P.M.P. Co., Ltd.	
	Dragon Metallic Industry Co., Ltd.	
	Tech-Com (Chongqing) Computer Ltd.	
	QMB Co., Ltd.	
	E-Forward Technology Ltd.	Investment company for Quanta Storage Inc.
	Quanta Storage (Shanghai), Ltd.	
	Techman Electronics (Changshu), Ltd.	
	Techman Robot Inc.	
	Techman Inc.	
	Techman Electronics (Thailand) Co., Ltd.	
	Techman Robot (Shanghai), Ltd.	
Technical service for electronic products	QCJ Corp.	To provide nearby after-sales services and repair for customers
	QCE Computer B.V.	
	Quanta Service Inc.	
	Quanta Service Nashville LLC	
	Quanta Computer USA, Inc.	
	Quanta Computer Nashville LLC	
	Tech-Trend (ShangHai) Computer Ltd.	
	Tech-Lead (ShangHai) Computer Ltd.	
Trade and sales of electronic products	QCH Inc., a Nevada Corp.	Sales of the Company's products in U.S.
	QCH Nashville LLC	
	QCT LLC	
	QCT Korea Inc.	Wholesale of electronic components, perripherals, and communication equipments
	Quanta Cloud Technology Inc.	
	Cloud-Tech (Chongqing) Technology Co., Ltd.	
	THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	

Type of Business	Name of Affiliated Company	Principle Activities
	Quanta Cloud Technology Japan Inc.	
	Quanta Cloud Technology Germany GmbH	
	Quanta Cloud Technology Singapore PTE. Ltd. (QCTS)	
	Quanta Storage Asia Ltd.	Investment Company for Quanta Storage Inc.
	Techman Asia Limited	
	TM SMT SDN. BHD.	
	Royaltek Trading (Changshu) Co., Ltd.	Investment company for RTK
Logistics	Tech-Wave (Shanghai) Logistics Co., Ltd.	Logistics management and related businesses
	Tech-Wave (Chongqing) Logistics Co., Ltd.	



(5) Directors and Presidents for Affiliated Companies:

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
Quanta Storage Inc.	Chairman Director Director & EVP	Quanta Computer Inc. Representatives: Barry Lam	82,882	29.78%
		C.C. Leung	7	-
		Chia-Feng Chang	-	-
	Director & President	Shih-Wei Investment Inc. Representative: Shi-Chi Ho	744	0.27%
			1,317	0.47%
Quanta Venture Capital Co., Ltd.	Independent Director		1,143	0.41%
		Kuan-Shen Wang	-	-
		Yeou-Jyh Tsai	60	0.02%
	Supervisor	Yen-Hau Chen	-	-
Quanta Computer Technology Investment Corp.	Chairman Director & President Director	Quanta Computer Inc. Representatives: Barry Lam	100,000	100.00%
		C.C. Leung	-	-
		Tim Li	-	-
	Supervisor	Quanta Computer Inc. Representative: C.T. Huang	100,000	100.00%
			-	-
Quanta Computer Technology Investment Corp.	Chairman Director	Quanta Computer Inc. Representatives: Barry Lam	60,000	100.00%
		C.C. Leung	-	-
		C.T. Huang	-	-
	Supervisor	Quanta Computer Inc. Representative: Tim Li	60,000	100.00%
			-	-
Quanta Micro- Systems Inc.	Chairman Director	Quanta Computer Inc. Representatives: C.C. Leung	17,500	75.19%
		Barry Lam	-	-
		Tim Li	-	-
	Supervisor	Shu-Min Tai	-	-
RoyalTek Company Ltd.	Chairman	Jin-Hau Su	46	0.09%
		Quanta Computer Inc. Representatives: C.C. Leung	18,604	36.76%
		Elton Yang	-	-
	Director	Sophie Chen	-	-
		Li-Wei Shen	-	-
		Yu Hsin Lee	-	-
		B.K. Chen	-	-
Quanta Cloud Technology Inc.	Chairman Director Director & President	Quanta Computer Inc. Representatives: Barry Lam	28,199	99.99%
		C.C. Leung	-	-
		Mike Yang	-	-
	Supervisor	Shu-Min Tai	-	-
Quanta International Limited (QIL)	Director	Quanta Computer Inc. Representative: Barry Lam	72,484	100.00%
			-	-

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
QCJ Corp.	Chairman Director	Quanta Computer Inc. Representatives: Jimmy Chin	200	100.00%
		C.C. Leung	-	-
		Tim Li	-	-
	Supervisor	Quanta Computer Inc. Representative: Angela Tsai	200	100.00%
			-	-
QMB Co., Ltd.	Director	Quanta Computer Inc. Representatives: C.C. Leung	(note)	100.00%
		C.T. Huang	-	-
		Elton Yang	-	-
			-	-
Quanta Cloud Technology Singapore PTE. Ltd.(QCTS)	Director	Quanta Computer Inc. Representatives: Mike Yang	1,000	100.00%
		C.C. Leung	-	-
		Lee Shwu Fang	-	-
			-	-
QCE Computer B.V. (QCE)	Director	QIL Representative: Elton Yang	4,918	100.00%
			-	-
Access International Company (AIC)	Chairman Director Director & President	QIL Representatives: Barry Lam	6,280	100.00%
		C.C. Leung	-	-
		Alan Pak-Lin Lam	-	-
			-	-
Quanta Asia Ltd. (QAL)	Director	QIL Representative: Barry Lam	661,586	100.00%
			-	-
Quanta Capital Management Ltd. (QCML)	Director	QIL Representatives: Barry Lam	5,042	100.00%
		C.C. Leung	-	-
			-	-
Quanta Manufacturing Inc. (QMI)	Chairman Director Director & President	AIC Representatives: C.C. Leung	1,357	100.00%
		Barry Lam	-	-
		Alan Pak-Lin Lam	-	-
			-	-
Quanta Service Inc. (QSI-USA)	Chairman Director Director & President	AIC Representatives: C.C. Leung	417	100.00%
		Barry Lam	-	-
		Alan Pak-Lin Lam	-	-
			-	-
Quanta Computer USA, Inc. (QCA)	Chairman Director Director & President	AIC Representatives: Barry Lam	10,737	100.00%
		C.C. Leung	-	-
		Alan Pak-Lin Lam	-	-
			-	-
QCH Inc., a Nevada Corp. (QCH)	Chairman Director Director & President	AIC Representatives: Barry Lam	1,000	100.00%
		Alan Pak-Lin Lam	-	-
		C.C. Leung	-	-
			-	-

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
Quanta Development Ltd. (QDL)	Director	QAL Representative: C.C. Leung	514,289 -	100.00% -
Quanta International Technology Ltd. (QIT)	Director	QAL Representative: C.C. Leung	4,962 -	100.00% -
Q_Bus International Ltd. (Q_Bus)	Director	QAL Representative: C.C. Leung	267,424 -	100.00% -
Quanta Manufacturing Nashville LLC (QMN)	Chairman President	QMI Representatives: C.C. Leung Mike Dunne	(note) - -	100.00% - -
Quanta Service Nashville LLC (QSN)	Chairman President	QSI-USA Representatives: C.C. Leung Mike Dunne	(note) - -	100.00% - -
Quanta Computer Nashville LLC (QCN)	Chairman President	QCA Representatives: C.C. Leung Mike Dunne	(note) - -	100.00% - -
QCH Nashville LLC (QCHN)	Chairman President	QCH Representatives: C.C. Leung Mike Dunne	(note) - -	100.00% - -
QCG Computer GMBH (QCG)	Chairman Managing Director	QIT Representatives: C.C. Leung Mike Yang	(note) - -	100.00% - -
Tech Chain Ltd.	Director	Q_Bus Representative: C.C. Leung	233,900 -	100.00% -
Exmore Services Holding Ltd. (EXM)	Director	Q_Bus Representative: C.C. Leung	9,500 -	95.00% -
Quanta Development (Hong Kong) Ltd. (QDLHK)	Director	QDL Representative: C.C. Leung	60,194,801 -	100.00% -
Tech Chain (Hong Kong) Ltd. (TCLHK)	Director	Tech Chain Ltd. Representative: C.C. Leung	24,421,201 -	100.00% -
Exmore Services Holding (Hong Kong) Ltd. (EXMHK)	Director	EXM Representative: C.C. Leung	1,428,156 -	100.00% -
THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	Director	QCE Representatives: Maria Fernanda Pécora Gedeon	19,218 - -	16.84% - -
QCT LLC	Director President	QIL Representatives: Alan Pak-Lin Lam Mike Yang	(note) - -	100.00% - -

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
QCT Inc.		QIL Representative: Barry Lam	(note) -	100.00% -
	Director & President			
QCT Korea Inc.		QCT Inc. Representative: Mike Yang	(note) -	100.00% -
	Director & President			
Quanta Cloud Technology Germany GmbH (QCTG)	Chairman	Quanta Cloud Technology Inc. Representatives: C.C. Leung	(note) -	100.00% -
	Managing Director	Mike Yang	-	-
Tech-Front (Shanghai) Computer Inc.		QDLHK Representatives: C.T. Huang	(note) -	100.00% -
	Chairman	Elton Yang	-	-
	Director	Tim Li	-	-
	Director & President		-	-
Tech-Com (Shanghai) Computer Ltd.		QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
	Supervisor			
	Chairman	QDLHK Representatives: C.T. Huang	(note) -	100.00% -
	Director	Elton Yang	-	-
Tech-Wave (Shanghai) Logistics Co., Ltd.	Director & President	Tim Li	-	-
		QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
	Supervisor			
	Chairman	QDLHK Representatives: C.T. Huang	(note) -	100.00% -
Tech-Lead (Shanghai) Computer Ltd.	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
	Supervisor			
Tech-Giant (Shanghai) Computer Ltd.		QDLHK Representatives: C.T. Huang	(note) -	100.00% -
	Chairman	Elton Yang	-	-
	Director	Tim Li	-	-
	Director & President		-	-
		QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
	Supervisor			

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
Tech-Trend (Shanghai) Computer Ltd.	Chairman Director Director & President	QDLHK Representatives: C.T. Huang Elton Yang Tim Li	(note) - - -	100.00% - - -
	Supervisor	QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
Gem-Tech (Shanghai) Precision Mold Co., Ltd.	Chairman Director Director & President	EXMHK Representatives: C.T. Huang Elton Yang Tim Li	(note) - - -	100.00% - - -
	Supervisor	EXMHK Representative: Shu-Min Tai	(note) -	100.00% -
Tech-Full Computer (Changshu) Co., Ltd.	Chairman Director Director & President	QDLHK Representatives: C.T. Huang Elton Yang Tim Li	(note) - - -	100.00% - - -
	Supervisor	QDLHK Representative: Angela Tsai	(note) -	100.00% -
Zhan Yun (Shanghai) Electronics Co., Ltd.	Chairman Director	TCLHK Representatives: C.T. Huang Tim Li Elton Yang	(note) - - -	100.00% - - -
	Supervisor	TCLHK Representative: Shu-Min Tai	(note) -	100.00% -
Kenseisha Shanghai P.M.P. Co., Ltd.	Chairman & President Director	QDLHK Representatives: C.S. Yang Elton Yang Tim Li	(note) - - -	100.00% - - -
	Supervisor	QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
Tech-Front (Chongqing) Computer Co., Ltd.	Chairman Director Director & President	QDLHK Representatives: C.T. Huang Elton Yang Tim Li	(note) - - -	100.00% - - -
	Supervisor	QDLHK Representative: Shu-Min Tai	(note) -	100.00% -
Tech-Wave (Chongqing) Logistics Co., Ltd.	Chairman Director Director & President	QDLHK Representatives: C.T. Huang Elton Yang Tim Li	(note) - - -	100.00% - - -

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
		QDLHK Representative:	(note)	100.00%
	Supervisor	Shu-Min Tai	-	-
Cloud-Tech (Chongqing) Technology Co., Ltd.		QDLHK Representatives:	(note)	100.00%
	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK Representative:	(note)	100.00%
	Supervisor	Shu-Min Tai	-	-
Tech-Com (Chongqing) Computer Ltd.		QDLHK Representatives:	(note)	100.00%
	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK Representative:	(note)	100.00%
	Supervisor	Shu-Min Tai	-	-
Quanta Cloud Technology Japan Inc.		Quanta Micro-Systems Inc. Representative:	(note)	100.00%
	Chairman	Mike Yang	-	-
Fly Dragon Int'l Ltd.		QDLHK Representatives:	(note)	100.00%
	Director	C.S. Yang	-	-
		Tim Li	-	-
		Elton Yang	-	-
Dragon Grand Group Ltd.		QDLHK Representatives:	(note)	100.00%
	Director	C.S. Yang	-	-
		Tim Li	-	-
		Elton Yang	-	-
Kenseisha Changshu P.M.P. Co., Ltd.		Fly Dragon Int'l Ltd. Representatives:	(note)	100.00%
	Chairman Director	C.S. Yang	-	-
		Tim Li	-	-
		Elton Yang	-	-
		Fly Dragon Int'l Ltd. Representative:	(note)	100.00%
	Supervisor	Shu-Min Tai	-	-
Dragon Metallic Industry Co., Ltd.		Dragon Grand Group Ltd. Representatives:	(note)	100.00%
	Chairman Director	C.S. Yang	-	-
		Tim Li	-	-
		Elton Yang	-	-
		Dragon Grand Group Ltd. Representative:	(note)	100.00%
	Supervisor	Shu-Min Tai	-	-
Royaltek International Enterprises Ltd. (RTKI)		RTKI Representative:	(note)	100.00%
	Chairman	Jin-Hau Su	-	-

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
RoyalTek Trading (Changshu) Co., Ltd.	Chairman	RTKI Representatives: Jin-Hau Su	(note)	100.00%
	Director	Jen-Te Tseng Tim Kuo	-	-
	Supervisor	RTKI Representative: Kai-Lun Huang	(note)	100.00%
Quanta Storage Investment Inc. (QSII)	Chairman	Quanta Storage Inc. Representatives: Shi-Chi Ho	50,000	100.00%
			-	-
Techman Robot Inc.	Chairman	Quanta Storage Inc. Representatives: Shi-Chi Ho	50,000	91.66%
	Director	Chia-Feng Chang Shang-Hao Chen	-	-
Techman Inc.	Chairman	Quanta Storage Inc. Representatives: Shi-Chi Ho	50,000	100.00%
			-	-
Quanta Storage International Ltd. (QSI(Cayman))	Chairman	Quanta Storage Inc. Representative: Shi-Chi Ho	(note)	100.00%
			-	-
Quanta Storage (BVI) Ltd. (QSL(BVI))	Chairman	QSI (Cayman) Representative: Shi-Chi Ho	(note)	100.00%
			-	-
E-Forward Technology Ltd. (E-Forward)	Chairman	QSI (Cayman) Representative: Shi-Chi Ho	(note)	100.00%
			-	-
Quanta Storage Asia Ltd.	Director	E-Forward Representative: Shi-Chi Ho	(note)	100.00%
			-	-
Techman Asia Ltd.	Chairman	QSL(BVI) Representative: Chia-Feng Chang	(note)	100.00%
			-	-
Quanta Storage Holding (Hong Kong) Ltd. (QHH)	Director	QSL(BVI) Representative: Shi-Chi Ho	(note)	100.00%
			-	-
Techman Electronics (Hong Kong) Ltd.	Director	QSL(BVI) Representative: Shang-Hao Chen	(note)	100.00%
			-	-
Quanta Storage (Shanghai), Ltd.	Chairman	QHH Representative: C.T. Huang	(note)	100.00%
	Director	Shi-Chi Ho Chia-Feng Chang	-	-
Techman Electronics (Changshu) Ltd.	Chairman	Techman Electronics (Hong Kong) Ltd. Representative: Shi-Chi Ho	(note)	100.00%
	Director	Chia-Feng Chang Shang-Hao Chen	-	-

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
			Shares	%
Techman Robot (Shanghai), Ltd.	Director	TRI Representatives: Shi-Chi Ho Chia-Feng Chang Shang-Hao Chen	(note) - - -	100.00% - - -
	Supervisor	TRI Representatives: Chih-Jen, Lee	(note) -	100.00% -
Techman Electronics (Thailand) Co., Ltd.	Director	Quanta Storage Inc. Representatives: Shi-Chi Ho Chia-Feng Chang Chih-Jen Lee	(note) - - -	100.00% - - -
Techman Robot (Hong Kong), Ltd.	Director	TRI Representatives: Shi-Chi Ho	(note) -	100.00% -
TM SMT SDN. BHD.	Director	Quanta Storage Inc. Representatives: Chia-Feng Chang Chih-Jen, Lee	(note) - -	51.00% - -

Note: the company is a limited company



(6) Operational Highlights of Affiliates:

Unit: NT\$ thousands

Name of Affiliates	Capital Stock	Total Assets	Total Liabilities	Net Worth	Net Revenue	Income (Loss) From Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Quanta Storage Inc. & Subsidiaries	2,783,589	12,392,709	4,495,352	7,897,357	9,352,785	652,221	513,735	1.85
Quanta International Ltd.& Subsidiaries	23,077,278	462,638,310	433,644,233	28,994,077	1,338,194,877	776,272	1,860,694	-
QCJ Corp.	3,115	2,680	97	2,583	4,368	45	17	-
Quanta Computer Technology Investment Corp.	600,000	653,427	1,811	651,616	0	(165)	(1,421)	(0.02)
Quanta Venture Capital Co., Ltd.	1,000,000	1,137,879	419	1,137,460	0	(408)	(51,392)	(0.51)
RoyalTek Company Ltd. & Subsidiaries	506,077	1,739,366	334,136	1,405,232	1,405,823	6,619	51,068	1.01
Quanta Micro-Systems Inc.	232,750	5,325,736	4,856,788	468,948	9,724,048	(29,257)	(21,270)	(0.91)
Quanta Cloud Technology Inc.	282,000	615,788	649,280	(33,492)	1,252,034	(240)	2,966	0.11
THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	1,011,884	13,738	112,850	(99,112)	0	(7,494)	(9,241)	-
QMB Co., Ltd.	1,012,014	1,730,158	806,663	923,495	1,109	(69,684)	(69,424)	-

**2. Status of Private Placement Securities:**

The Company has not issued private placement securities in FY2019 and as of the date of this report's publication

**3. Status of Shares Acquired or Disposed by Subsidiaries**

Name of Subsidiary	Paid-in Capital	Source of Funding	Percentage owned by the Company	Transaction Date (note 1)	Shares/ Amount Acquired	Shares/ Amount Disposed	Investment Income (Loss)	Balance of Shares/Amount (note 2)	Balance of Pledged Shares	Balance of Guarantee Provided by the Company	Balance of Financing Provided by the Company
RoyalTek Company Ltd.	506,077,000	Shares Exchange	36.76%	-	-	-	-	8,109,000 shares \$521,401,000	NA	-	-

Note 1: During FY2006, Quanta Computer acquired 37.35% of RoyalTek Company Inc. through strategic alliance. As a result, RoyalTek received Quanta Computer's common shares issued through capital increase as the exchange of shares.

Note 2: The amount refers to actual amount acquired or disposed.

**4. Other Required Supplementary Notes: NA****5. Events with Material Impacts on Equity or Stock Price**

There's no event in FY2019 and as of the date of this report's publication that had material impact on shareholders' right or stock price as stated in item 3 paragraph 2 of Article 36 of SEC