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## I. Report to Shareholders

Year 2018 marked the most critical point in Quanta's history since our establishment 30 years ago. The company started out as an ODM company for notebook computer manufacturing and has gone through the economic boom with the industry growth to solidify our business foundations. When the Internet bubbles burst, we were able to perceive the industry trends and started to invest in server manufacturing business ahead of peers, which in turn set the backdrop for Quanta's development in cloud computing. In recent years, we have been focusing on data economics as our core business direction and actively develop innovative applications for Artificial Intelligence (AI) in an effort to transit and diversify, at the same time, we further integrate resources for global deployment.

Looking back to the past year, the Company was able to deliver growth in both revenue and profit despite adverse situation with unfavorable factors in the macro-economy, including trade war between the U.S. and China, unstable condition in emerging markets and so forth. The Company and everyone at Quanta work hard towards costs reduction, efficiency improvement, and development of new products. This aptly reflects our power of execution and resilience when facing challenges!

Quanta's performance in FY2018 and outlook for FY2019 are as follows:

## I. Abstract of Quanta's performance in FY2018

Full year revenue remained steady at one trillion thresholds, with the consolidated revenue reported at NT\$1.03 trillion or 0.7% year-over-year growth compared to the NT\$1.02 trillion reported in FY2017. Net income after tax in FY2018 and FY2017 was NT\$15.33BN and NT\$14.52BN, respectively. Net income attributable to owners of parent in FY2018 and FY2017 was NT\$15.12BN and NT\$14.37BN respectively. EPS in FY2018 was NT\$3.92, while non-operating income was NT\$4.88BN.

With regards to production and manufacturing, we continued to promote the development of "Q-Factory" (Industrial 4.0) smart manufacturing. Through automated production and improvement in production flow, the introduction of automated technologies and robotic arms has dramatically improved our production efficiency and reduced the needs of manpower consumption. In turn, the automated production alleviated the impacts of labor constraint and rising personnel costs. Therefore, product yield rate was improved and product quality was more consistent.

Specifically, manufacturing on certain products has already achieved the goal of automated production, in which the process only relies on communications between different machinery through Internet connection and big data platform. Leveraging cloud computing to perform smart analysis and to deliver integrated smart information. The combinations of these applications have paved the way to a smart factory that makes visualized management possible and effectively accelerated manpower management efficiency and energy conservation. Through the construction of smart factories, Quanta is one step closer to achieve our goal of Industrial 4.0 and to further elevate our core competitiveness!

Furthermore, we are devoted into creating a healthy labor-management environment, so to attract quality talents to join the Company. Through painstakingly planned training courses and learning programs for employees, supplemented with various team activities and employee care programs, the Company aims to accelerate employees' satisfaction level and well-being in order to foster unity and cohesion, thereby strengthening Quanta's soft power.

### II. Operational outlook for FY2019

In continuation to our plans for FY2018, Quanta will continue to bolster our capacity in research and development, to refine our delicacy management, and to maintain stringent costs control as the pillars of the company's operations. We will continue to push for the construction of "Q-Factory" smart manufacturing, to refine our manufacturing technologies, and to increase the level of automation. In order to ensure the Company's long-term growth momentum, Quanta will focus on reducing its reliance on specific regions and territories, averting risks associated with potential higher tax rate, and accommodating customers' requests. Quanta will conduct careful analysis of our operating resources, examine and adjust the Company's global strategic deployment in order to respond to the structural changes in global political and economic situations. Doing so will ensure Quanta retains its long-term competitive edge and to further strengthen its foundation for sustainable development.

Company's strategic deployment will be focusing on two major directions — "R&D Innovation" and "Manufacturing Upgrade". Current manufacturing sites include Taiwan, China, the U.S., and Europe, we have recently expanded our production capacity in Taiwan at the Hwaya Technology Park so that we can leverage the advantage of physical proximity to our headquarters. The expansion will assist the Company to closely integrate R&D with production and to achieve the synergy of "Time to MP" (Mass Production) and thereby accelerate our process of innovation. Quanta shall continue to innovate, change and transcend, with R&D and innovation as our core, the Company provides high quality manufacturing services and is committed to develop long-term, stable and win-win partnership with our customers and will continue to create value for all our shareholders.

The advancement in technology is blazing fast with products quickly being replaced by the latest models, as a result, the competition in the electronic industry is even more intensified. Coupled with the rapidly changing circumstances in the state of international current affairs, competent management of an enterprise calls for greater prudence and leaves no room for oversight. Quanta shall adhere to its aspiration of attaining R&D innovation by focusing on cultivating its core business and maintaining its leading edge. We strive for optimum efficiency and cost control in our product design, procurement and manufacturing. Quanta leverages our strength in R&D capabilities to actively develop innovative technologies, including advanced and high-performance server-related technologies and quality improvement, smart IoT products and technological integration. We have further extended our reach into cloud computing solutions, AI applications, 5G next-generation network communication technologies, smart wearables, smart home applications, smart mobility, smart healthcare, smart manufacturing and other emerging domains. We aim to expand our client base with customized solutions and integrate resources to optimize management efficiency. Doing so will allow the Company to take stable steps towards the next thirty years of glorious achievement!

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
1007	computer manufacturer in Taiwan for the first time
1997	Groundbreaking ceremony for headquarters and factory buildings in Hwaya  To also also a Book in Links district
1000	Technology Park in Linko district
1998	<ul> <li>Ranked #3 in "The Information Technology 100 Who Is the Most Profitable"</li> <li>by American Business Week</li> </ul>
	Annual notebook computer shipment exceeded 1M units for the first time
1999	· Quanta Computer Inc. listed in Taiwan Stock Exchange (TWSE)
1999	• Inauguration for manufacturing site located in Hwaya, Taoyuan City
2000	• Inauguration for R&D Center
2000	Established manufacturing site in Shanghai
2001	Chairman, Mr. Barry Lam, was awarded with "The World's Top 25 Most
2001	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

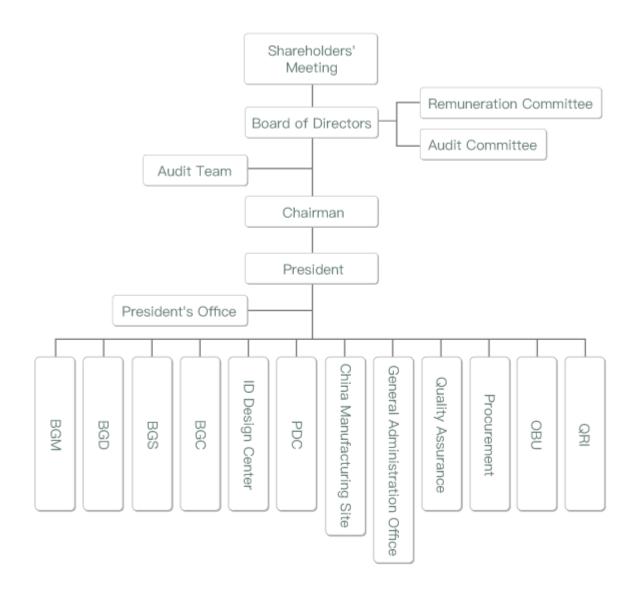
2003	· Chairman, Mr. Barry Lam, was awarded with "Second Class Bright Star Medal"
	by the Presidential Office of Taiwan
	· Received "MOE Industrial Technology Development Award – Excellent
	Achievement Award"
	· Inauguration for QRDC (Quanta Research & Development Complex)
2004	· Ranked #5 in "Top Ten 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
	<ul> <li>Chairman, Mr. Barry Lam, was recognized as the "Most Admired Entrepreneurs" by CommonWealth Magazine</li> </ul>
	Revealed the "New 3C" conceptCloud 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
	· Nominated for "Derwent Top 100 Global Innovators 2018-2019" by Clarivate
	Analytics
	· Awarded with "Open Economy Excellent Enterprises" by Changshu Yushan Zhen
	People's Government
	· 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

## **III.** Corporate Governance

## 1. Organization Structure

(1) Organization Structure



# (2) Major Corporate Functions

Department	Major Functions
President's Office	Implementation and execution of the Company's overall organizational business, sales and production, as well as operational targets.
Audit Committee	<ul> <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> <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> <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 BGD Business Unit BGC Business Unit	Supervise the operations of related products and businesses in specific market segmentation.
Business Unit	Design and manufacture of mechanical modules.
ID Design Center	Product industrial design.
Product Design Center (PDC)	Product technical support.
China Manufacturing Site	<ul> <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> <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> <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	Execute QA objectives, administer the operation of quality assurance system and management of quality control and customer services.
Procurement Center	Procure high-quality and low-cost materials that satisfy market needs.
Overseas Business Unit	Overseas business establishment and expansion.
Quanta Research Institute (QRI)	<ul> <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 23, 2019 Unit: Shares

Title	Nationali ty (note 1) / Gender	Name	Date Elected	Term (Years)	Date First Electe d	Shareholdin Electe	d	Current Share		Spouse & I Sharehol	ding	Shareholding by Nominee Arrangement		Shareholding by Nominee Arrangement		Shareholding by Nominee Arrangement			Other	or S are s	uperviso	
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation				
Chairman	-/Male	Barry Lam	06/24/ 2016		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	06/24/ 2016	3 years	05/05 /1988	95,645,736	2.48%	82,645,736	2.14%	0	-	0	-	-	-	-	NA	-				
Director	-/Male	C. T. Huang	06/24/ 2016	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	06/24/ 2016	3 years	06/24 /2016	183,185	-	138,185	-	890	-	0	-	-	-	-	NA	-				
Independ ent Director	-/Male	Dr. Wei- Ta Pan	06/24/ 2016	3 years	06/20 /2001	0 (note 2)	-	0 (note 2)	-	0	-	0	-	-	-	-	NA	-				
Independ ent Director	-/Male	Chi-Chih, Lu	06/24/ 2016	3 years	06/18 /2010	0	-	0	-	0	-	0	-	-	-	1	NA	-				
Independ ent Director	-/Male	Dr. Pisin Chen	06/24/ 2016	3 years	06/24 /2016	18,000	-	18,000	1	0	-	0	-	-	1	ı	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 Audit Committee established, therefore the three independent directors are ex officio members to exercise the powers of supervisors.

Noted 4: Major experiences and con-current job posts of directors:

Title	Name	Education/Experiences	Con-Current Job Posts
Chairman	Barry Lam	<ul> <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> <li>Chairman:         <ul> <li>Chien Yue Investment Co., Ltd., QVCL, QCTI, QSI, Quanta Cloud</li> <li>Technology Inc., QIL, AIC, QCA, QCH, QAL, QCML, QCT LLC, QCT Inc., QSI(Cayman), E-Forward, QSL(BVI), Quanta Culture &amp; Education Foundation, Quanta Arts Foundation.</li> </ul> </li> <li>Director:         <ul> <li>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> </ul> </li> </ul>
Vice Chairman	C. C. Leung	<ul> <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> <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</li> <li>Director &amp; President of QVCL and QCH</li> </ul>
Director	C. T. Huang	<ul> <li>Bachelor Degree in Electrical Engineering at the Chung Yuan Christian University</li> <li>Factory Director of Kinpo Electronics</li> </ul>	<ul> <li>Director &amp; EVP of Quanta Computer Inc.</li> <li>Chairman:         TFC, TCC, TWW, TLC, TGC, TTC, TNC, TFQ, TWQ, ZYES, ZYEQ, YDCQ, TCQ, Quanta Storage (Shanghai), Ltd.,     </li> <li>Director of QSI &amp; QCTI</li> <li>Supervisor of QVCL</li> </ul>
Director	Tim Li	Master Degree in Industrial Engineering at New Jersey Institute of Technology     Assistant Engineer at the Industrial Development Bureau, Ministry of Economic Affairs	<ul> <li>Director &amp; SVP of Quanta Computer Inc.</li> <li>Director: QMIT, CDIB BioScience Venture Management, QVCL, QCJ, ZYES, ZYEQ, FDDT, DGT, GTM, KSH, SJDT</li> <li>Director &amp; President: TFC, TCC, TWW, TLC, TGC, TTC, TNC, TFQ, TWQ, YDCQ, TCQ</li> <li>Supervisor of QCTI</li> <li>Vice Chairman of TechView International Technology Inc.</li> </ul>
Independent Director	Dr. Wei-Ta Pan	Nebraska Law School, J.D.     Tulane Law School, L.L.M.	President of Soochow University and Professor at School of Law, Soochow University

		<ul> <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> <li>Chairman of the Private School Promotion Foundation</li> <li>Director of the Modern Women's Foundation</li> <li>Independent Director of China Life Insurance Co. Ltd.</li> <li>Member and Chair of the Audit Committee and Remuneration Committee for Quanta Computer Inc.</li> </ul>
Independent Director	Chi-Chih Lu	<ul> <li>Bachelor Degree in Accounting at National Chengchi University</li> <li>Fudan University, EMBA</li> <li>CPA</li> <li>Stock Exchange Listing Department at Taiwan Stock Exchange</li> <li>Chairman &amp; President of Visco Vision, Inc.</li> </ul>	NA
Independent Director	Dr. Pisin Chen	<ul> <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> <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>

II. Major Shareholders of Institutional Shareholders: NA.

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

	Meet One of the Following Professional Qualification Requirements, Together With at Least Five Years Work Experience					Independence Criteria*											
Criteria	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	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director			
Barry Lam			✓				✓				✓	✓	✓	0			
C. C. Leung			✓				✓	✓			✓	✓	✓	0			
C. T. Huang			✓			✓	✓	✓			✓	✓	✓	0			
Tim Li			✓			✓	✓	✓			✓	✓	✓	0			
Dr. Wei-Ta Pan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1			

Chi-Chih Lu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Dr. Pisin Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

- \* 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 or its parent company or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
  - 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.
  - 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three subparagraphs.
  - 5. Not a director, supervisor or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares issued by the company, or who holds shares ranking in the top five holdings.
  - 6. Not a director, supervisor, manager or shareholder holding 5% or more of the outstanding shares, of a specific company or institution which has a business or financial relationship with the company.
  - 7. Not a professional individual, who is an owner, partner, director, supervisor, manager of a sole proprietorship, partnership, company or institution that provides commercial, legal, financial and/or accounting services or consultation to the company or to any affiliate of the company, or a spouse to the aforementioned persons. These restrictions do not apply to any member of the remuneration committee exercising their powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx"
  - 8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
  - 9. Not been a person of any conditions defined in Article 30 of the Company Law.
  - 10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### (2) Profiles of Key Management Team:

Date: April 23, 2019 Unit: Shares

Title	Nationality (Note 1)/ Gender	Name	Date Effective	Sharehol	ding	Spouse & Shareho		by No	nolding ominee gement	Experience (Educatio n) Note 3	Other Position	Managers Within Tw		-
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Presid ent	-/Male	C.C. Leung	1998.04	82,645,736	2.14%	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	1	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	-	-	ı	=	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	ı	0	-	-	1	-	NA	-
VP	-/Male	Ted Chang	2009.01	185	-	0	-	0	-	-	-	-	NA	-
VP	-/Male	Thomas Tsou	2009.08	836	-	133	ı	0	-	-	1	-	NA	-
VP	-/Male	James Jau	2010.03	3,004	-	0	ı	0	-	-	1	-	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%	-	-	-	-	-	NA	-
VP	-/Male	Robin Chou	2019.04	0	ı	0	0.00%	ı	1	1	1	1	NA	ı
VP	-/Male	Frank Chuang	2019.04	20,000	1	0	0.00%	1	-	-	-	-	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: 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> <li>Master of Science from the Institute of Computer Science and Decision at the National Hsing 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 NA
SVP	Tim Li	Please refer to details disclosed for directors	Please refer to details disclosed for directors
SVP	C.S. Yang	<ul> <li>Bachelor of Science in Industrial Management at the National Cheng Kung University</li> <li>Director of Procurement at Wang Computer Inc.</li> </ul>	Chairman of SJDT, DFT, FDDT, KSH, KCC
SVP	Alan Chai	<ul> <li>Master of Science in Electrical Engineering at Chung Yuan Christian University</li> <li>President of U.K. &amp; U.S. at A.D.I. Corporation</li> </ul>	NA
SVP	Mike Yang	<ul> <li>Master of Science in Electrical Engineering at Arizona State University</li> <li>Assistant VP of Procurement at A.D.I. Corporation</li> </ul>	<ul> <li>Chairman of Quanta Cloud Technology Japan Inc.</li> <li>Director &amp; President of Quanta Cloud Technology Inc. and QCT Korea Inc.</li> <li>Managing Director of QCG and QCTG</li> <li>President of QCT LLC</li> </ul>
SVP (CFO)	Elton Yang	<ul> <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>	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, FDDT, DGT, GTM, KSH, KCC, SJDT, YDCQ, TCQ
		MBA at University of Southern California	NA
VP	Steve Cheng	Director of Design Department at SYSTEX Corp.	
		Assistant VP at Xandar International Corp.	
VP		EMBA at the National Taipei University	NA
	Michelle Hsieh	Bachelor of Science in Electrical Engineering at the National Taiwan	
	Wilchelle Hsien	Ocean University	
		FIC & VP of Portable Computer Group at First International Computer Inc.	
VP	Brand Chang	Bachelor of Science in Industrial Design, Feng Chia University	NA
	Brand Chang	Manager of Procurement at In-Chia Electronics Inc.	
VP		Master of Management Science at National Chao-Tung University	NA
	J.J. Wei	CQO & President of NB OEM Business Unit at ASUSTek Computer Inc.	
	J.J. VVCI	General Plant Manager at Wistron Corporation	
		Assistant VP of Quality Assurance Center at Arima Computer	
VP		MBA at the University of South Australia	NA
		Associate Degree in Technology from the Department of Industrial	
	Danny Lin	Engineering at the National Taipei University	
		Deputy Chief of Material Control Section at Compal Electronics Inc.	
		Material Planner at the Cal-Comp Electronics Inc.	
VP	Terrisa Chung	Bachelor of Industrial Engineering at the National Tsing Hua University	NA
	Terrisa enang	Sales Manager at ADI Corporation	
VP	Jimmy Chin	Computer Science at Polytechnic University	Chairman of QCJ Corp.
	Jilliny Cilli	Assistant VP of Sales at First International Computer Inc.	
VP		Ph.D., Institute of Aeronautics and Astronautics Engineering at the	Board of Director at Epoch Foundation
	Ted Chang	National Cheng Kung University	Visiting Scientist, MIT Computer Science and Artificial
	Tea enang	Project Director of Quanta-MIT T-Party and Qmulus Projects	Intelligent Laboratory (CSAIL)
		Manager & PEM of Local Vehicle Team at Ford Lio Ho Motor Company	
VP	Thomas Tsou	MBA at the University of South Australia	NA
VP		Bachelor of Science in Nuclear Engineering and Science at Taiwan Tsing	NA
		Hua University	
	James Jau	Master of Science in Electrical Engineering at Oklahoma State University	
	James Jaa	Senior Engineer at Wang Computer Inc.	
		Assistant VP at HTC Corp.	
		President of Atrust Computer Corp.	
VP	Roger Huang	Bachelor of Science in Computer Science at the Tam Kang University	Director of Plenty Link Technology Co. Ltd., EBN Technology
	Mobel Hadilg	Engineer at Compal Electronics Inc.	Ltd. and Quantum Optoelectronics Ltd.
VP	W.L. Sung	Associate Degree in Electronics at the MingHsin Institute of Technology	NA
	50116	R&D Specialist at A.D.I. Corporation	

VP	J.C. Tzeng	Master of Mechanical (Manufacturing) Engineering at the Syracuse     University	NA
VP	Bruce Wu	<ul> <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	Bachelor of Science in Electric Engineering at Chung Yuan Christian     University	NA
VP	Tony Tan	Master Degree of Electric Engineering at Santa Clara University,     California	NA
VP	Peter Hsieh	<ul> <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> <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> <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> <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

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

## i. Remuneration of Directors

				R	emuneratio	n of Dire	ctors				of Total neration		Relevant	Remu	neration R	eceived	by Dire	ectors \	Who are	Also Em	ployees			Compe	of Total ensation	ensati
			mpensation (A) ote 1)	Severa	nce Pay (B) ote 8)	Dire	nus to ctors <u>(</u> C) ote 2)		ances (D) ote 3)	(A+B+C Inco		Allo	Bonuses, and wances (E) Note 5)		rance Pay (F) lote 8)	Profit	Bonu	ng- Emp us (G) te 6)	•	Employ	cisable ee Stock ons (H)	Restr Empl Shar	loyee	+G) t Inco	C+D+E+F to Net me (%) ote 4)	Paid to Direct
Title	• Name	The company	All companies in the consolidate d financial statements (Note 7)	company	Companies in the consolidated financial statements (Note 7)	The compan	Companies in the consolidated financial statements (Note 7)	The compan y	Companies in the consolidate d financial statements (Note 7)	The	Companies in the consolidate d financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The	Companies in the consolidate d financial statements (Note 7)	The con	npany	consc fina	nanies in he olidated ancial ements	IIIC	/ tinancial	The comp any	Comp anies in the consoli dated financi al state ments (Note 7)	The compa ny	Companies in the consolid ated financial statements (Note 7)	from an Invest i ed Comp any Other than the Comp
																Cash	Stock	Cash	Stock							
Cha mai	,																									
Vice Cha man & Presiden Dire tor & EVF	r C. C. Leung i t C. C. T. Huang c Tim Li	0	0	0	0	42,000	42,000	1,023	1,023	0.28%	0.28%	13,331	13,331	0	0	43,000	0	43,000	0	0	0	0	0	0.66 %	0.66	NA
SVF	Dr.	_ a																								

Direc														
tor														
Inde														
pend														
ent	Chih Lu													
Direc	Cillii Lu													
tor														
Inde	Dr.													
	Pisin													
ent	Chen													
Direc														
tor														

## **Range of Remuneration for Directors**

		Number of I	Directors: 7	
Range of Remuneration	Total o	of (A+B+C+D)	Total of (A	+B+C+D+E+F+G)
<b>0</b>	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-	-	-
NT\$2,000,000 ~ NT\$4,999,999	Wei-Tai Pan, Chi-Chih Lu, Pisin Chen, Tim Li, C.T. Huang	Wei-Tai Pan, Chi-Chih Lu, Pisin Chen, Tim Li, C.T. Huang	Wei-Tai Pan, Chi-Chih Lu, Pisin Chen	Wei-Tai Pan, Chi-Chih Lu, Pisin Chen
NT\$5,000,000 ~ NT\$9,999,999	-	-	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	Barry Lam, C.C. Leung	Barry Lam, C.C. Leung	Barry Lam, C.C. Leung, Tim Li	Barry Lam, C.C. Leung, Tim Li
NT\$30,000,000~ NT\$49,999,999	-	-	C.T. Huang	C.T. Huang
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 amount of remuneration for directors approved for distribution by BoD. Remuneration for the following directors are donated to Quanta Culture & Education Foundation, including Barry Lam, C.C. Leung, C.T. Huang, and Tim Li.
- Note 3: 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\$4,960,000 is excluded in the remuneration.
- Note 4: "Net income after tax" refers to net income after tax in the previous year. With adoption of IFRS, this shall refer to net income after tax for the parent company in the previous year.

- Note 5: 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 6: 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 7: 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 8: No pension was allocated to directors who are also employees of the Company in FY2018, thus the actual amount of payment is zero.
- Note 9a: The amount of remuneration that the President and Vice Presidents received from investees other than subsidiaries shall be specified in this column.
- Note 9b: If the President and Vice Presidents have received remuneration from 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 "All Investees".
- Note 9c: Refers to the remuneration that the President and Vice Presidents received from 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 10: Remuneration for services, such as non-employee consulting services, provided by Company's directors for all companies included in the financial statements in the previous year not specified above: NA.
- Note 11: 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.

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

			ary(A) ote 1)		ance Pay (B) ote 2)	Allow	ises and ances (C) ote 3)		rofit S loyee (No		_	comp (A+B+C inco	of total ensation C+D) to net ome (%) ote 5)	Emplo Op	rcisable yee Stock otions ote 6)	_	Restricted yee Shares	Compensation paid to the President and Vice President from an Invested Company
Title	Name	The company	Companies in the consolidated financial statements (Note 7)		Companies in the consolidated financial statements (Note 7)		statements	com	he pany	consol fina state (Not	ne lidated ncial ments te 7)	The company	Companies in the consolidated financial statements (Note 7)		Companies in the consolidated financial statements (Note 7)	The company	Companies ir the consolidated financial statements (Note 7)	Company's
			(Note 7)		(Note 7)		(Note 7)	Cash	Stock	Cash	Stock		(Note 7)		(Note 7)		(Note 7)	
VP (not	Leung C.T. Huang	72,477	72,477	0	0	48,304	48,304	390, 134	0	390 <i>,</i> 134	0	3.38%	3.38%	0	0	0	0	NA

#### Range of Remuneration for President and Vice Presidents

	Number of President a	nd Vice Presidents: 28
Range of Remuneration	The Company (note 10)	Companies in the consolidated financial statements (note 11)
Under NT\$ 2,000,000	-	-
NT\$2,000,000 ~ NT\$4,999,999	C.C. Leung	C.C. Leung
NT\$5,000,000 ~ NT\$9,999,999	Ted Chang, Frank Chuang	Ted Chang, Frank Chuang
NT\$10,000,000 ~ NT\$14,999,999	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, Michael Wu, Robin Chou	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, Michael Wu, Robin Chou
NT\$15,000,000 ~ NT\$29,999,999	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	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
NT\$30,000,000~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Over NT\$100,000,000	-	-
Total	28	28

- 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\$4,019,000, 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 in the previous year. With adoption of IFRS, this shall refer 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 investees other than subsidiaries shall be specified in this column.
- Note 7b: If the President and Vice Presidents have received remuneration from 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 "All Investees".

- Note 7c: Refers to the remuneration that the President and Vice Presidents received from 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 27 VPs include C.T. Huang, Alan Tsai, C.S. Yang, Tim Li, Roger Huang, Mike Yang, Steve Cheng, Michelle Hsieh, Brand Chang, J.J. Wei, Alan Chai, Elton Yang, Danny Lin, Terrisa Chung, Jimmy Chin, Ted Chang, Thomas Tsou, James Jau, W.L. Sung, J.C. Tzeng, Bruce Wu, Jonny Hsu, Tony Tan, Peter Hsieh, Michael Wu, Robin Chou, Frank Chuang.
- 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.

## 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 (%)
Management	President	C.C. Leung	0	390,134	390,134	2.58%
Team	VPs (note 1)	C.T. Huang & 26 other VPs		330,134	330,134	2.30%

- Note 1: A total of 27 VPs include C.T. Huang, Alan Tsai, C.S. Yang, Tim Li, Roger Huang, Mike Yang, Steve Cheng, Michelle Hsieh, Brand Chang, J.J. Wei, Alan Chai, Elton Yang, Danny Lin, Terrisa Chung, Jimmy Chin, Ted Chang, Thomas Tsou, James Jau, W.L. Sung, J.C. Tzeng, Bruce Wu, Jonny Hsu, Tony Tan, Peter Hsieh, Michael Wu, Robin Chou, Frank Chuang.
- 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 3.66% and 3.46% in 2018 and 2017 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 and supervisors 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 seven 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	7	0	100.0	-
Vice Chairman	C.C. Leung	6	1	85.7	-
Director	C.T. Huang	7	0	100.0	-
Director	Tim Li	7	0	100.0	-
Independent Director	Dr. Wei-Ta Pan	7	0	100.0	-
Independent Director	Chi-Chih Lu	7	0	100.0	-
Independent Director	Dr. Pisin Chen	7	0	100.0	-

#### 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 FY2018 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:

	Resolutions
Meeting Dates 2018.03.26	Donation to the Chinese National Association of Industry and Commerce
2018.03.20	(CNAIC).
	• To donate NT\$150,000 to support the operation of CNAIC.
	To donate 1413130,000 to support the operation of civale.
	With respect to paragraph 2, Article 206 of the Company Law, 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 Law to avoid conflict of interests.
	the company can to avoid commet of interests.
	Aside from the Chairperson, Mr. Barry Lam, all Directors attending the
	meeting approved the proposal unanimously.
2018.05.11	• Donation to the SINOCON Industrial Standards Foundation (SINOCON).
	• 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."
	With respect to paragraph 2, Article 206 of the Company Law, 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 Law to avoid conflict of interests.
	Aside from the Chairperson, Mr. Barry Lam, all Directors attending the
	meeting approved the proposal unanimously.
2018.09.07	• Proposal of FY2017 employee remuneration to management team.
	This proposal has been reported to AGM, and the Remuneration Committee
	has approved the details of remuneration for management team.
	With respect to paragraph 2, Article 206 of the Company Law, 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 stated
	in paragraph 3, Article 206 of the Company Law.
	in paragraph 3, Article 200 of the company taw.
	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.
2018.11.13	· Donation to the Chinese National Association of Industry and Commerce
	(CNAIC).
	• To donate NT\$150,000 to support the operation of CNAIC.
	With respect to paragraph 2, Article 206 of the Company Law, 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 Law to avoid conflict of interests.
	Aside from the Chairperson, Mr. Barry Lam, all Directors attending the
2040 42 24	meeting approved the proposal unanimously.
2018.12.21	• To donate NT\$27.5 million in installment to support the operation of
	Quanta Arts Foundation (QAF).

Meeting Dates	Resolutions
	QAF is a platform for arts and performance, established with donation from Quanta Computer. With respect to paragraph 2, Article 206 of the Company Law, 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 Law to avoid conflict of interests.
	Aside from the Chairperson, Mr. Barry Lam, all Directors attending the meeting approved the proposal unanimously.  • Proposal of FY2018 remuneration to management team.
	The Remuneration Committee has approved the details of remuneration to management team. With respect to paragraph 2, Article 206 of the Company Law, 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 stated in paragraph 3, Article 206 of the Company Law.
	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.

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

Apart from the establishment of the "Rules and Procedure for the Board of Directors Meeting", 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, 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 four committee meetings in the previous years (A), and the attendance of the committee members is tabulated below:

Title	Name	Attendanc e in Person (B)	Attendance Through Proxy	Attendance Rate (B/A) (%)	Remarks
Chairman	Dr. Wei-Ta Pan	4	0	100.0	-
Committee Member	Chi-Chih Lu	4	0	100.0	-
Committee Member	Dr. Pisin Chen	4	0	100.0	-

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.

#### 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 FY2018 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 FY2018.
- 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 would 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 FY2018, the chief internal auditor had separate interviews with each independent director on May 23, July 13, September 14, and November 20 respectively, totaling four interviews. At the interviews, the chief internal auditor reported the audit progress and details regarding audit implementation. During two of the interviews, two independent directors 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 FY2018 annual audit. Summaries of interviews are as follows:

			Names of independent directors interviewed, time of interview and suggestions offered					
Items	Description	Dr. Pisin	Chi-Chih	Dr. Pisin	Dr. Wei-Ta			
		Chen	Lu	Chen	Pan			
		2018/05/23	2018/07/13	2018/09/14	2018/11/20			
Description	The FY2018 audit plan for the	NA	NA	NA	NA			
of the audit	Company's headquarters in Taiwan							
plan	and manufacturing sites in China was							
	submitted to the independent							
	directors for review and suggestion							
	on additional audit items.							
Description	An account on audit items covered,	NA	NA	NA	NA			
of work	methodology and progress achieved							
performed	by the audit team prior to the							
	interview.							
Description	1. As of the end of this interview,	NA	NA	Areas of	Areas of			
of audit	areas of improvement have been			improvement	improvement			
progress	found during the FY2018 audit,			have been	have been			
	the audit team has proposed			identified and	identified and			
	suggestions for rectification and			should be	should be			
	requested relevant departments			followed-up	followed-up to			
	to act accordingly; no major flaws			to ensure	ensure quality			
	have been identified.			quality	outcome.			
	2. The audit report has been			outcome.				
	submitted to the independent							
	directors for review.							
Other	1.Is there any suggestion or items	NA	NA	NA	NA			
discussion	that require further attention in							
items	auditing?							
	2.Is there any recommendations or							
	corrections to be made?							

- 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 by 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 quarterly 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 1<sup>st</sup> Audit Committee meeting:

Date	Period	Resolution Summary	Opinion of Independent Directors and Company's Response
2018.03.26	7	♦ Approved FY2017 financial statements.	Approved by all independent
		<ul> <li>Approved CPA audit report of FY2017 financial statements.</li> </ul>	directors unanimously.
		♦ Approved business report of the year.	
		<ul> <li>Approved the effectiveness evaluation and statement of internal control.</li> </ul>	
		<ul> <li>Approved allocation of FY2017 distributable earnings.</li> </ul>	
		♦ Approved Audit Committee's review report.	
		♦ Approved amendments on various regulations.	
2018.05.11	8	♦ Approved FY2018 Q1 financial statements.	Approved by all independent
		<ul> <li>Approved CPA audit report of FY2018 Q1 financial statements.</li> </ul>	directors unanimously.
		♦ Approved proposal of cash capital increase for	
		Quanta Venture Capital Co., Ltd.	
2018.08.08	9	♦ Approved FY2018 H1 financial statements.	Approved by all independent
		♦ Approved CPA audit report of FY2018 H1 financial	directors unanimously.
		statements.	
2018.11.13	10	♦ Approved FY2018 Q3 financial statements.	Approved by all independent
		<ul> <li>Approved CPA audit report of FY2018 Q3 financial statements.</li> </ul>	directors unanimously.
		<ul> <li>Approved proposal for land and buildings acquisition.</li> </ul>	

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

				Implementation Status	Deviations and the
Evaluation Item		Yes	No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
1.	Does the company establish and disclose	✓		Corporate Governance Best Practice	No Significant
	the Corporate Governance Best Practice			Principles was approved by The Board	differences
	Principles based on "Governance Best			of Directors and disclosed on the	
Practice"?				Corporate website and the Market	
				Observation Post System.	

	Implementation Status			Deviations and the
Evaluation Item		Yes No Abstract Illustration		cause(s) of deviations from "Governance Best Practice"
2. Shareholding structure and shareholder's				No Significant
rights: (1) Does the company establish internal procedures for handling shareholders' suggestions, questions, disputes and litigation, and implementation based on the procedure?	<b>✓</b>		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.	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 timely track changes in shareholding status of directors, management teams, and major shareholders holding more than 10% of the company's shares.	
(3) Does the company establish and implement a risk control mechanism and firewall between its affiliates?	✓		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.  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	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
			enhance the independence of CPA. The above efforts would not only prevent corruption, but also helps the Company to remain profitable.	
(4) Does the company establish internal rules against insider trading with undisclosed information?	<b>✓</b>		Apart from establishing 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.	
<ol> <li>Composition and responsibilities of the Board of Directors:         <ul> <li>(1) Does the Board develop and implement a diversified policy for the composition of its members?</li> </ul> </li> </ol>	*		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.  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.  The current nomination of the	No Significant differences

	Implementation Status			Deviations and the
Evaluation Item		No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
			Board of Directors has seven seats, 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. Of the seven directors, Mr. Barry Lam, Mr. C.C. Leung, Mr. C.T. Huang, and Mr. Tim Li have extensive experience in leadership, operational judgement, operational management, and crisis management, and they are well equipped with industry-specific knowledge and view of global market. Each of the three independent directors has its own expertise: Dr. Wei-Ta Pan is specialized in legal affairs and is familiar with social welfare; Mr. Chi-Chih Lu is a licensed accountant specialized in finance, accounting and operational judgment; and Dr. Pisin Chen is a physicist, familiar with industry-specific knowledge and equipped with an international market view.  Within the Board of Directors, the percentage of directors and independent directors who are also employees of the company is 43%, one independent director with less than 3 years of employment. Two directors are over age 70 and three 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	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	<b>√</b>		the Corporate website.  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	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
			reviews the performance assessment and the remuneration policy, system, standard, and structure of directors and management teams periodically (at least twice every year).  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.  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.	
(3) Does the company establish a method to measure the performance of the Board and implement it annually?	~		The Company has established Board performance evaluation procedures in 2019, prior to the establishment of such procedures, the business unit in charge of Board meeting execution reviews the Rules and Procedures for the Board of Directors Meeting and Board operations every year. The audit department also includes Board performance evaluation as a routine audit item to ensure the Board is operated in accordance with relevant laws and regulations.	
(4) Does the company regularly evaluate the independence of CPAs?	<b>*</b>		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.  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 to ensure legal compliance. The Company also	

			1	Implementation Status	Deviations and the
	Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
				requests the CPA firm to implement the CPA rotation system in compliance with government regulations and to maintain the independence of CPAs.  The assessment results for the past two years were resolved at the Board meetings on December 26, 2017 and December 21, 2018 respectively. The Company therefore continues to cooperate with the same CPA firm. In addition to the self-assessment on independence and suitability, the Company has also obtained the "Statement of Audit Independence" report from the CPA firm.	
4.	Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	~		The Company plans to appoint designed manager responsible for corporate governance management by the end of June, 2019. Although, there's no designated unit currently in charge of the corporate governance matters, the Company has appointed designated personnel responsible for relevant matters.  Besides, the Company has established CSR committee in charge of implementing the operation of CSR system, corporate governance, and stakeholder engagement. There are four subcommittees 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 charge of the operation of CSR system and compilation of CSR report.	No Significant differences
5.	Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to	<b>√</b>		The Company has set up the "Stakeholder Engagement" section on our Corporate website in order to communicate with stakeholders	No Significant differences

		Implementation Status		Implementation Status	Deviations and the
	Evaluation Item		No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
	shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			and to address frequently asked questions raised by stakeholders on various CSR issues that concern them.  Please refer to note 1 below for	
				details on stakeholder communications <sup>1</sup> .	
6.	Does the company appoint a professional shareholder service agency to handle shareholder affairs?	<b>√</b>		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?	<b>√</b>		The Company has established Corporate website available both in Chinese and English (http://www.quantatw.com) The "Investor Relations" section of the Corporate website discloses all major announcements, financial data and corporate governance. Content of the "Investor Relations" section is regularly updated.	No Significant differences
	(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)?	✓		Aside from setting up the Corporate website, the Company has also established various channels to communicate with investors:  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.  Description of the collecting and providing relevant information.  Investor conferences: the Company regularly hosts investor conferences and relevant information is timely disclosed on the Corporate website and the Market	

	Implementation Status		Implementation Status	Deviations and the
Evaluation Item		No	Abstract Illustration	cause(s) of deviations from "Governance Best Practice"
			Observation Post System for public access.	
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, the implementation of the customer relations policies, and purchasing insurance for directors and supervisors)?	✓		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.  The CSR report is verified by a third-party certification authority. The Company regularly and periodically 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 2 for details <sup>2</sup> .	No Significant differences

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.

The Company was ranked top 6% to 20% enterprises in Taiwan during the second to the fourth (2015-2017) "Corporate Governance Evaluation."

Apart from establishing the "Corporate Governance Best Practice Principles," the Company has assigned designated team to keep track on the indicators and to make recommendations for implementation and improvement to the decision-making unit.

Directors (including independent directors) are encouraged to take training courses on corporate governance.

#### Note 1:

Item 5. Supplementary notes to the establishment of communication channels for stakeholder:

To ensure information transparency and to address the diversified needs of stakeholders, the Company keeps an ongoing dialog with stakeholders through various communication methods and channels. Apart from fulfilling our responsibilities for stakeholders, the Company strives to maintain constant dialog and communication with stakeholders as a reference for operational defects prevention and improvement. The methods and channels of communication are categorized as follows:

Stakeholders	Important Topics and Aspects	Primary Responsibilities for Quanta Computer	Communication Means and Channels
Shareholders and Investors	<ul> <li>Economic performance</li> <li>Supplier environmental assessment</li> <li>Labor relations</li> <li>Training and education</li> <li>Human rights assessment</li> <li>Customer safety and health</li> <li>Customer privacy</li> <li>Product liability and</li> </ul>	Prompt response is made in accordance with the latest regulations and policy revisions governed by relevant authorities.     Format and content of the firm's information disclosure is also adjusted in accordance with regulation requirements.      Provide real-time and	<ul> <li>Annual general shareholders' meetings.</li> <li>Periodically host conference calls and press conferences for institutional investors to announce quarterly financial reports and operational results.</li> <li>Material announcements are timely updated and synchronized on Public</li> </ul>

	regulation compliance	accurate information in order to ensure the equality of information disclosure.  • Provide sustainable and steady dividend payout policy and generate adequate return on investment.  • Maintain clear and healthy financial strategy, uphold company creditability and strong business performance.	Information of the Market Observation Post System and the Company's official website. Furthermore, press releases and press conferences may be issued and held pending on actual needs and situations.  Ways of communication through e-mail and phone are provided on the Company's official website.  Dedicated corporate IR (Investors Relations) department is established to host face-to-face meetings and conference calls with domestic and overseas institutional investors on regular basis.
Customers	<ul> <li>Environmental regulation compliance</li> <li>Labor relations</li> <li>Occupational safety and hygiene</li> <li>Suppliers environmental assessment</li> <li>Anti-discrimination</li> <li>Anti-child labor</li> <li>Anti-forced labor</li> <li>Anti-corruption</li> <li>Customer safety and health</li> <li>Customer privacy</li> <li>Product liability and regulation compliance</li> </ul>	<ul> <li>Provide the most competitive and high quality products and services.</li> <li>Provide integrated solution from service of design, production to logistics in order to enhance customer satisfaction.</li> <li>Form close, long-term, and trustworthy business partnerships with customers.</li> <li>Advocate employee's responsibility to comply with rules governing confidentiality and procedures when confronted by media.</li> </ul>	<ul> <li>QBR (Quarterly Business Review).</li> <li>Customer satisfaction survey.</li> <li>Periodically host technology forums, seminars, and speeches.</li> <li>Cooperate with customers on product quality inspections, environmental requirements, and responsibility; cooperate with customers on prevention and improvement.</li> <li>PIS (Proprietary Information Security) – advocacy and training on employee's responsibility to comply with rules governing confidentiality and procedures when confronted by media.</li> </ul>
Suppliers	Social assessment for suppliers     Environmental regulation compliance     Anti-discrimination     Labor relations     Anti-child labor     Anti-forced labor     Product liability and regulation compliance     Anti-corruption	<ul> <li>Promote legitimate and fair trade.</li> <li>Understand regulations and details on environmental protection, safety and health.</li> <li>Understand and provide details on Company's efforts in fulfilling social responsibilities.</li> </ul>	<ul> <li>Request suppliers to sign the Letter of Commitment to Environmental Protection.</li> <li>Request products must be tested by accredited public laboratories.</li> <li>Incoming inspection must be sampled and tested by the GP laboratory at Quanta.</li> <li>Quanta's Green Website: http://green.quantatw.com</li> <li>Quanta Sub-Material Environment Website: http://sub.quantatw.com</li> <li>Green supply chain annual convention.</li> <li>Annual audit of suppliers and</li> </ul>

			contractors.
Employees	<ul> <li>Occupational health and safety</li> <li>Social assessment for suppliers</li> <li>Training and education</li> <li>Human rights assessment</li> <li>Anti-discrimination</li> <li>Anti-forced labor</li> <li>Labor relations</li> <li>Anti-corruption</li> <li>Customer health and safety</li> </ul>	<ul> <li>Ensure and respect human rights.</li> <li>Promote employee development.</li> <li>Provide legitimate and fair evaluation and compensation.</li> <li>Promote environmental health and safety.</li> <li>Flexible benefits programs and health awareness.</li> </ul>	<ul> <li>Bridge communications periodically between supervisors and colleagues through face-to-face meetings.</li> <li>Setup hotline of "70885 - Please Help Me" to provide services and provide message bulletin.</li> <li>Setup hotline of "70695 - Please Try to Understand Me" to handle complaints of sexual harassment.</li> <li>Equipped with on-site medical care staff to provide employees with medical consultation services.</li> <li>Free annual health examination and consultation for employees.</li> <li>Quanta Elite School provides five major ELITE programs based on different job functions to provide occupational training, development and feedback.</li> <li>Employee satisfaction survey.</li> <li>Publish quarterly magazines and bi-monthly information sharing booklet.</li> <li>"Employee Assistance Program" personnel available at all production sites to provide instant support and feedback.</li> <li>Regular meetings between labor and management.</li> <li>Welfare Committee meetings.</li> </ul>
Community	Occupational health and safety     Training and education     Human rights assessment     Non-discrimination     Anti-forced labor     Customer privacy     Anti-child labor     Product liability and regulation compliance	<ul> <li>Effective prevention and support of disaster and accidents.</li> <li>Continuously promote knowledge sharing and culture affluence.</li> <li>Participate in various public welfare activities.</li> </ul>	<ul> <li>Quanta Culture &amp; Education         <ul> <li>Foundation</li> </ul> </li> <li>Quanta Arts Foundation</li> <li>Charity clubs at various         <ul> <li>manufacturing sites</li> </ul> </li> <li>Member of the Environmental         <ul> <li>Quality Monitor Committee of</li> <li>Taiwan Hwaya Technology</li> <li>Park.</li> </ul> </li> <li>Participate in forums and         <ul> <li>activities organized by</li> <li>competent authorities.</li> </ul> </li> <li>Participate in various activities         <ul> <li>organized by outside parties.</li> </ul> </li> </ul>

#### Note 2:

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. 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 more 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 on 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.

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 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. Work Environment and Employee Safety Protection

Providing employees with a healthy work environment and promote physical health are our commitments to employees. Apart from building a healthy work environment, we provide fully-equipped gym facilities, clinic centers for basic medical care, and actively promote various health awareness activities, including physical fitness, talks on health care, and stress relief therapy. We also promote comprehensive club activities to enhance employees' physical strength and to provide care for employees physical and psychological needs.

In creating supportive environments for employees' safety and health, we ensure all equipment and facilities comply with respective safety standards and provide a pleasant work environment that includes interior temperature, humidity, lighting, air quality, and noise level control. Specific measurements include clean environment, safe drinking water, periodically clean and disinfect the cooling system and water tank of the central air-conditioning system, as well as provide accessible facilities.

The Company has established the "Environmental Policy", "OSH Policy," and "GHG Management Policy" as standard procedures for work environment safety and employee protection:

#### (1) Environmental Policy —

Waste gases, sewage, and wastes are the main sources of environmental impacts for the Company. To protect the environment, all employees are committed and willing to give full cooperation to fulfill our environmental protection responsibilities for pollution prevention and continual improvement. In addition to applying for certification of compliance with ISO 14001 and other relevant environmental protection certificates, the Company proactively promotes green products and recycling mechanism in order to meet the stringent standard of RoHs environmental protection system. The Company is fully devoted into fulfilling our role in social responsibility as a member of the global village.

### (2) Occupational Safety and Health (OSH) Policy —

The Company has designated management team responsible for Occupational Safety and Health (OSH) management with key objectives in OSH compliance, risk assessment, companywide participation, continual improvement, and zero hazard. The Company is OHSAS18001 certified and key executions in OSH are summarized as follows:

- Dedicated Medical Care Centers: all sites are equipped with an on-site medical care center with health care professionals on duty to keep track of employees' health at all times. We further provide employees with periodic health examinations conducted by well-established professional healthcare organizations in Taiwan and keep track of any abnormal health conditions.
- Implementation of OSH Education and Training: new hires are fully educated on OSH subjects to effectively reduce occupational injuries and to ensure occupational safety. Periodic drills on fire and emergency evacuation, as well as fire safety inspection are performed to implement risk management. Apart from periodic inspection of various safety measures and equipment, the Company also implements fire prevention planning, organizes fire prevention task force, and performs usage drills on fire equipment. Furthermore, the Company complies with relevant laws to execute implementation of self-guard fire prevention task force, fire reporting training, emergency evacuation drills, emergency rescue training, and fire safety talks to enforce disaster prevention and ensure employee safety.

### (3) Greenhouse Gases (GHGs) Management Policy —

Global climate and environmental change as a result of greenhouse gases (GHGs) has been deteriorating. It is our responsibility to protect the environment and to treasure the Earth as a responsible corporate citizen of the Earth. The Company's specific efforts are highlighted in the following area:

- Implement GHG inventory to capture the condition of GHG emissions.
- Further initiate voluntary GHG emission reduction measures based on the inventory results.
- Continue to promote and support measures for energy conservation, carbon reduction, sustainability implementation, and to fulfill corporate social responsibilities.
- Comply with relevant laws and regulations, customer requirements, and other related protocols in environmental protection.

## 4. 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 (<a href="http://mops.twse.com.tw/mops/web/index">http://mops.twse.com.tw/mops/web/index</a>) and the Corporate website (<a href="http://www.quantatw.com">http://www.quantatw.com</a>). 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.

## 5. 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.

## 6. 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".

Independent D	Independent Director: Dr. Wei-Ta Pan			
Date	Organizer	Course		
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)		
2016/08/09	Securities and Futures Institute	Awareness Education for Compliance in Insider Share Trading for Listed Companies (3 hours)		
2016/04/12	Securities and Futures Institute	Advanced Seminar for the Practice of Directors and Supervisors (including Independent Directors): Making Good Business Strategies with Financial Information (3 hours)		

Independent Director: Chi-Chih Lu			
Date	Organizer	Course	
2018/09/26	Taiwan Stock Exchange	ESG Forum For Director (3 hours)	
2018/07/10	Securities and Futures Institute	2018 Awareness Education for Compliance in Insider Share Trading (3 hours)	
2017/07/07	Securities and Futures Institute	Awareness Education for Compliance in Insider Share Trading for Listed and Unlisted Public Companies (3 hours)	
2017/04/07	Securities and Futures Institute	2017 Insider Trading and CSR Seminar (3 hours)	
2016/06/16	Securities and Futures Institute	2 <sup>nd</sup> Corporate Governance Recognition Prize Ceremony and Presentation on Corporate Governance(3 hours)	
2016/01/26	Securities and Futures Institute	Corporate Governance Forum: Insider Trading and CSR Seminar (3 hours)	

Independent Di	Independent Director: Dr. Pisin Chen			
Date	Organizer	Course		
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)		
2016/10/27	Securities and Futures Institute	Exeuting Duties of Directors and Supervisors of Listed Companies (3 hours)		
2016/10/27	Securities and Futures Institute	Legal Issues Concerning Directors and Supervisors of Public Companies (3 hours)		
2016/10/26	Securities and Futures Institute	Techniques for Interpreting Financial Information for Directors and Supervisors (3 hours)		
2016/10/26	Securities and Futures Institute	Corporate Governance and Operation of BoD (3 hours)		

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

SVP & CFO: Elto	n Yang	
Date	Organizer	Course
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)  Development Trends and Enterprise Response to FinTech  Corporate Governance Practice: Latest Amendments of the Company Law and Practical Enterprise Responses  Financial and Tax Challenges and Practical Responses of Global Anti-Tax Evasion Against Enterprises  Legal Liabilities and Case Studies of Commercial Paper Use of Enterprises
2017/10/23- 2017/10/24	Accounting Research and Development Foundation	<ul> <li>Continuing Education Course for Accounting Officers of Issuers, Securities Companies, and Stock Exchanges (12 hours)</li> <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>
2016/08/04- 2016/08/05	Accounting Research and Development Foundation	Continuing Education Course for Accounting Officers of Issuers, Securities Companies, and Stock Exchanges (12 hours)  Regulate and Practical Practice of "Cash Flow" by Enterprises  Review of IFRS 9 Financial Instruments: Accounting Processing of Financial Assets (including loss) and Financial Liabilities  Legal Liabilities and Case Analysis of Company's Own Stock Trading

8. 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. Apart from taking continuing education courses, their status of continuous education are also reported back to the competent authorities by law. Continuing education courses taken are summarized as follows:

Chief Auditor: Pei	Chief Auditor: Pei-Ming Chen			
Course Date	Organizer	Course		
2018/10/25	The Institute of Internal	Power BI (II) Visualized Risk Dashboard Design and Analysis		
	Auditors-Chinese	(6 hours)		
2018/09/20	The Institute of Internal	Power BI (I) Multiple Data Import and Cross-Table Data		
	Auditors-Chinese	Analysis (6 hours)		
2017/11/09	The Institute of Internal	Operational Audit Practice (6 hours)		
	Auditors-Chinese	Operational Addit Fractice (6 flodis)		
2017/10/27	The Institute of Internal	Auditor Management Skills Training (6 hours)		
	Auditors-Chinese	Additor Management Skins Hairing (O nodis)		
2016/06/29	Securities and Futures	Investigating Fraud Risk Through Cycle Control II (6 hours)		
	Institute	investigating Fraud Kisk Through Cycle Control in (6 hours)		
2016/03/11	Securities and Futures	Investigating Fraud Rick Through Cycle Centrel L/6 hours)		
	Institute	Investigating Fraud Risk Through Cycle Control I (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.

	Criteria	Meets One of the	e Following Professional Qu ogether with at Least Five Y Experience	Independence Criteria*						Number of other Public Companies in Which the individual is Concurrently Serving as an Remuneration Committee Member	Remarks			
Title	Name	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	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	1	2	Э	4	5	6	7	8		
Chairman	Dr. Wei-Ta Pan	✓		✓	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>√</b>	<b>✓</b>	✓	✓	0	-
Member	Chi-Chih Lu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Member	Samuel Lee			✓	✓	✓	✓	✓	<b>√</b>	<b>✓</b>	✓	✓	0	-

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 or its parent company or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

- 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three subparagraphs.
- 5. Not a director, supervisor or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares issued by the company, or who holds shares ranking in the top five holdings.
- 6. Not a director, supervisor, manager or shareholder holding 5% or more of the outstanding shares, of a specific company or institution which has a business or financial relationship with the company.
- 7. Not a professional individual, who is an owner, partner, director, supervisor, manager of a sole proprietorship, partnership, company or institution that provides commercial, legal, financial and/or accounting services or consultation to the Company or to any affiliate of the Company, or a spouse to the aforementioned persons.
- 8. Not been a person of any conditions defined in Article 30 of the Company Law

## 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 2016/6/24
Member	Chi-Chih Lu	3	0	100	Re-appointed on 2016/6/24
Member	Samuel Lee	3	0	100	Newly appointed on 2017/3/28

#### 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 paragraph 1, Article 14-6, Securities and Exchange Act, and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" promulgated by the Financial Supervisory Commission (FSC).
- C. Term of the 1<sup>st</sup> committee members: September 30, 2011 to June 17, 2013, the same termination date as the end of the BoD term.
- D. The 2<sup>nd</sup> committee was made of the same committee members from the 1<sup>st</sup> committee with three years' terms from June 24, 2013 to June 23, 2016.
- E. The 3<sup>rd</sup> committee was made of the same committee members from the 2<sup>nd</sup> committee with three years' term from June 24, 2016 to June 23, 2019. Mr. Jing Lin resigned from the committee on January 4, 2017 for personal reasons. The BoD then appointed Mr. Samuel Lee on March 28, 2017 to fill the vacancy until June 23, 2019, the same termination date as the end of the BoD term.

iii. Major Resolution Resolved by The 3<sup>rd</sup> Remuneration Committee Meeting:

Date of Resolution	Session	Summary of Resolution	Opinions Expressed by The Committee Members and Company's Response
2018/03/15	6	Approved the distribution plan for FY2017 employees' bonus and remuneration to directors	Approved by all committee members unanimously.
2018/08/29	7	Approved the detailed distribution plan for FY2017 employees' bonus and remuneration to directors	
2018/12/12	8	Approved the distribution plan for FY2018 year- end bonus for employees	

(5) Status of CSR Implementation:

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
1. Implementation of Corporate Governance (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	<b>✓</b>		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.	No significant difference
(2) Does the Company provide educational training on corporate social responsibility on a regular basis?	<b>✓</b>		CSR related training and awareness are implemented every year through orientation for new hires, public bulletins, publicity materials, various communication channels, CSR classes, and online training courses.	
(3) 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?	<b>✓</b>		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	

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its CSR policy, and establish an effective reward and disciplinary system?	~		management team from the office of the Chairman and President, the 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  Please refer to the supplemental material below for details regarding our initiative and implementation on Corporate Social Responsibility Governance.  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. 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.	
2. Sustainable Environmental Development (1) Does the company endeavor to utilize all resources more efficiently and use reusable materials which have a low impact on the environment?	~		The Company's environmental policy is "to reduce air pollution, water pollution and waste in order to minimize environmental impacts."  To pursue "sustainable development," the Company is dedicated in using 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	No significant difference

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Explanation	cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
			manufacturing sites to comply with local regulations on pollution prevention.  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:  (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 Adopters and External Power Supplies, and Lot 26 –Energy Conservation in Standby Mode for Network Equipment).  (2) Product Recycling and Resources Utilization: implementation of post-consumer recycled plastics has fulfilled the easy disassembly product design requirement by ELL	for TWSE/TPEx Listed
			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.	
			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	

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
(2) Does the company establish proper environmental management systems based on the characteristics of its industry?	~		win-win situation for the economy and the environment.  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 OHSAS-18001 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.	
(3) Does the company monitor the impact of climate change on operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation, carbon reduction?			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.  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.  In 2010, we enhanced the "ISO14064 Internal Auditor" training program to	

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item		No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
3. Preserving Public Welfare			achieve the systematization and reliability of GHG inventory.  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 consumption of parts or products of the same category, and to be used as a reference for future production materials and equipment selection.  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.  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.	No significant
(1) Does the company formulate appropriate management policies and procedures in accordance with the relevant laws and International Bill of Human Rights?	<b>✓</b>		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, the	difference.

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
			OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, as well as International Bill of Human Rights. We comply with relevant governance and protocols throughout our product design, manufacturing, and sales of products, and the provision of after-sales services for customers, including anti-child labor, and non-acceptance of suppliers and contractors who use child labor; respect employee freedom, antiforced labor; provision of safe and healthy work environment and living conditions to ensure employee safety and health; promotion of labormanagement relations and respect employee opinions; provision of equal and fair work environment and ban any forms of discrimination; respect the fundamental human rights of employees and ban any forms of humiliation and abuse; arrange responsible production plans and responsible work hours and vacation time for employees; provision of reasonable wages and welfare to at least support the basic needs of employees; respect employees' freedom to participate in association and the rights of collective bargaining; and abidance by the ethical principles generally accepted by enterprises.  Employee recruitment is based on open and impartial manner and follows the principle of non-discrimination policy on race, social class, language, ideology, religion, political affiliation, place of origin, place of birth, gender, gender orientation, age, marital status, appearance, facial features, disability,	
			orientation, age, marital status,	

		Implementation Status  Deviations and the						
Evaluation Item	Yes	No	Abstract Explanation	cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies				
			equal with fair chance, so the Company can recruit appropriate and competent talents.  In employee management, apart from abiding by relevant laws, regulations and the employment contract, the Company also has established relevant 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.					
(2) Has the company set up an employee hotline or grievance mechanisms to handle complaints with appropriate solutions?	~		The Company has established a dedicated department to manage labor relations, Labor Relations Department, the Company is devoted in keeping open dialog and good communication with employees by setting up Quanta Forum and developing various employee feedback channels and assign dedicated personnel to handle and respond to employee feedbacks timely. Related procedures are implemented in accordance with the Company's regulations and procedures.					
(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?	~		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 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, specific measures are as follows:  Dedicated Medical Care Center: all sites are equipped with an on-site medical care center with health care professionals on duty to keep track of employees' health at all times. We further provide					

	Implementation Status  Deviations and the cause(s) of deviation						
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies			
			employees with periodic health examinations conducted by well-established professional healthcare organizations in Taiwan and keep track of any abnormal health conditions. On-site medical care personnel are on duty to organize health education seminars, health awareness forums, and hygiene education. Implementation of occupational injuries and diseases prevention, as well as health consultation to prevent occupational injuries and to enforce employee health management.  • Implementation of OSH Education and Training: new hires and all current employees are fully educated on OSH subjects. Additional OSH training courses are also implemented, including workplace safety management, first aid training, safety and health education, OSH training for direct and indirect labors to effectively reduce occupational injuries and thereby ensure occupational safety.  • All manufacturing sites are equipped with Automated External Defibrillators (AED) and provide trainings on AED operation and CPR.  • Periodic Drills on Fire, Emergency Evacuation, and Fire Safety Inspection: periodic inspection of various safety measures and equipment are performed. In addition, the Company also implements fire prevention planning, organizes fire prevention task force, and performs usage drills on fire equipment.  Moreover, the Company complies with relevant law to execute implementation of self-guard fire prevention task force, fire reporting training, emergency evacuation drills, emergency				

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item		No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
			rescue training, and fire safety talks to enforce disaster prevention.  Gymnastic Facilities: the Company provides employees with professional gymnastic facility, which is equipped with treadmills, fitness equipment, aerobics classrooms, and indoor sports court.  Sports Activities: the Company organizes physical fitness tests, swimming classes, ballgame training courses, and various sports competitions from time to time to encourage employees to engage in various sports activities.  Actively participate in external activities, such as external competitions for various clubs.  Cafeteria: the on-site cafeteria offers high-fiber and low-fat salad bar, fruit meals and organic meals for employees to choose from.  Mental Health Care: we offer complementary employee assistance program that organizes social gatherings and arts and culture talks for different age groups of employees.  Family Care: family members of Quanta employees are welcome to use the gym facilities with employees, we periodically organize family events and family day to promote family harmony and encourage employees to find balance between work and life.	
(4) Does the company a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	<b>✓</b>		We achieve unimpeded top-down, bottom-up, and parallel communication through various communication channels. Wellestablished mechanisms for employees to participate in meetings with management team and to make recommendations for the management team. Specific communication channels include Chairman speeches, luncheons with	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Explanation	cause(s) of deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
			the President, executive meetings, department meetings, labor-management meetings, and employee welfare committee meetings. We also host monthly information exchange kiosk and the internal publication of <i>Quanta Quarterly</i> . Additionally, matters concerning the rights and interests of employees are publicized from time to time.	
			We host technology forums quarterly, set up Quanta Message Board, the 70885 24-hour employee assistance hotline, the 70695 sexual harassment reporting hotline, the employee welfare committee box, message board for the fitness center and cafeteria, bulletin board and signage as additional means of communication for employees.	
			Quanta FAQ site is also established with designated personnel to address employee concerns and to track their satisfaction level. We also conduct interviews with current and past employees. New hires are provided with welcome manuals that contain essential information on work environment and employee welfare.	
(5) Does the company provide its employees with career development and training sessions?	•		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 future career advancement.	

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	<b>✓</b>		We follow relevant laws, regulations and international practices governing transparency of information and safety of products and services. Relevant management system is implemented to incorporate business practices in daily operations to protect the rights, interests, health, and safety of stakeholders.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?			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. These rating labels include the Environmental Protection Use Period (EPUP) specified in the Marking for the Restricted Use of Hazardous Substances (RoHS) in Electronic and Electrical Products (SJ/T 11364) of China and the recycle bin symbol that indicates separate collection of EEE in the EU Waste Electrical and Electronic Equipment Directive (WEEE 2012/19/EU). Additional voluntary verification standard labels are marked based on agreements with customers prior to mass-production, including Computers Specification Version 6.1, the ENERGY STAR specification for computers, the US Electronic Product Environmental Assessment Tool (EPEAT), or the Japanese PC Green Label. The aforementioned labels would function as a reference of green products and products that meet safety regulations and standards for consumers when making purchase decisions. Products manufactured by Quanta also comply with the regulations on electrical safety, EMI, and EMC.  Marking and labeling of all products and services provided by Quanta are governed by relevant regulations to ensure compliance with legal requirements, international standards,	

			Implementation Status	Deviations and the cause(s) of deviations	
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies	
(8) Does the company evaluate the	<b>✓</b>		local laws and regulations, and to ensure personal data protection is fulfilled.  We have clearly stated in our CSR		
records of suppliers' impact on the environment and society before conducting business with them?			report that Quanta is an RBA member and 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 policies and the code of conducts of Quanta Computer. Audits on new suppliers includes environmental safety audit and assessment of suppliers' current CSR performance.		
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	~		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 impacts, the Company may terminate or rescind all contracts signed.		
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable CSR-related information on its website and the Market Observation Post System (MOPS)?	<b>✓</b>		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 from year 2013.	No significant difference.	

			Implementation Status	Deviations and the cause(s) of deviations
Evaluation Item	Yes	No	Abstract Explanation	from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
			The 2017 CSR Report (prepared in 2018) was prepared in accordance with the GRI-G4 standard and audited by third-party verification authority.	
			The 2019 CSR report will be completed in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and reported on the Market Observation Post System.	

5. 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.

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

Please refer to the supplemental material on CSR performance below for details regarding our initiatives and implementation in environmental protection, community engagement, social contribution, social services, social welfare, and other CSR-related activities.

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:

The 2017 CSR Report (prepared in 2018) was prepared based on the "Core Level of Disclosure" in accordance with G4 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.

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.

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.

#### Note:

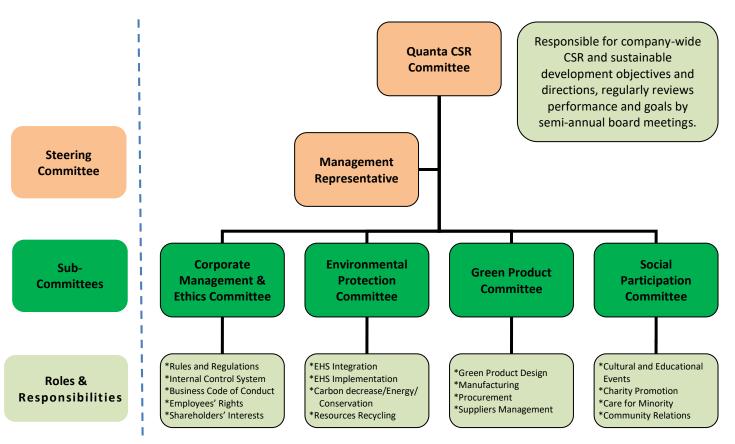
Item 1 (3): supplementary notes on our initiative and implementation of Corporate Social Responsibility Governance and supplementary notes on Item 6. CSR Implementation are addressed below:

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:



## 2. Actual implementation and effectiveness:

To promote sustainable environmental management, with approval from the BoD, the Company has allocated a sum of US\$28.20 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, we actively participate in various activities to promote community development and charities through business activities, donations, volunteer services, and other complementary professional services. Executions and effectiveness are shown as follows:

## (1) Employee Welfare Committee (EWC) -

- Provide charity platform for employees to participate and to contribute:
   In 2018, the Company donated a total of NT\$1.59 million to charities including the Taiwan Fund for Children and Families, Sunshine Social Welfare Foundation, and Double Bliss Welfare and Charity Foundation.
- Invite vulnerable groups and charity foundations to participate in Company's annual activities: In 2018, the Company invited the Taiwan Fund for Children and Families, Sunshine Social Welfare Foundation, and Kindergarten to organize charity sales event at our 30<sup>th</sup> anniversary event.
- Invite vulnerable groups to station at Company's cafeteria The Guangyuan Food Court:

A laundry service company that provides shelter care for people with disabilities is stationed at Quanta to provide laundry services to employees.

- Provide permanent venue for the Genesis Social Welfare Foundations to setup donation box of receipts.
- Work directly with local farmers to supply organic vegetables for employees to purchase, so local farmers have access to a regular sales channel and stable income.

## (2) Quanta Culture & Education Foundation -

- Vision: Equal opportunity to explore culture and to share technology
- Mission: "Education as a Foundation," "Art as an Essence," "Technology as an Instrument," and "Creativity as a Principle"
- Goals: "Facilitator for Innovation in Education" and "Bridge of Culture Across Time and Space"

The Quanta Culture & Education Foundation (QCEF) was established in year 1999 based on the belief in "equal opportunity to explore culture and to share technology." The purpose of the foundation is to provide everyone with opportunities and rights to explore culture and to appreciate arts. Therefore, various plans and actions are implemented on the basis of "play and learn in arts appreciation for children." Leveraging arts as a platform for children to explore when their curiosity about the world begins to explore, the foundation provides an interdisciplinary learning platform to inspire creative thinking in children and to explore their unlimited possibilities in the future.

Based on the belief in "art literacy and talent cultivation are the key to culture promotion," the Quanta Culture & Education Foundation implemented the "Immersed in Creativity" program to enrich the arts and aesthetics literacy of children and to further engrain education in future generations with technology in order to enhance children's competitiveness in the world. Apart from promoting "equal opportunities to explore culture," we also pursue "equal opportunities to share technology" with focuses on "appreciation of arts and culture and leverage technology in all activities should be the rights and opportunities for every person."

We believe firmly that education through "aestheticism," "technology," and "innovation" makes the meaning of education different. We set our self-motivation goals as "facilitator of innovation in education" and "bridge of culture across time and space." In practice, we introduce the world's latest education vision, revolutionize the traditional education method and encourage schools to develop "Idea Lab," which encourages teachers to implement creative teaching, inspires students to think and to learn outside the box. Hence, learn and acquire skills that can be yours for life, progressively cultivate students' self-motived learning desire and acquire problem-solving capabilities, so that students are equipped with competitive strength when facing future challenges.

We have implemented seven programs that promote the ideology of "Education as a Foundation," "Art as an Essence," "Technology as an Instrument," and "Creativity as a Principle." Specific implementations and effectiveness are summarized as follows (please visit the Foundation's website for details at <a href="http://www.quanta-edu.org">http://www.quanta-edu.org</a>):

- (1) "Immersed in Intelligence" Align with International Trends in Education
  In order to endow children in Taiwan with basic programming concept, Quanta initiated the
  "Immersed in Intelligence" program in year 2018, focusing on the objective of "inspiring elementary
  school students' interests in programming language and to cultivate their communication capability
  with future world." The aim of this program is to leverage education in technology to take root with
  hopes to cultivate students' computational skills and logical thinking through programming. The
  program has successfully cultivated 24 seed teachers and over 200 students from six different schools
  participated in the course.
- (2) "Immersed in Creativity" *Bring Museums to Campuses*In collaboration with museums at home and abroad, QCEF has curated educational exhibitions suitable for elementary and junior high school students. Art exhibits from across time and space are introduced to campuses in the form of replicas, allowing teachers and students to appreciate arts in a casual and natural manner. The development of mind and body is balanced through learning arts

and being immersed in creativity, so they can pursue a brighter future. In year 2018, a total of 276 educational exhibitions with a total of 217,958 visitors were held in schools across 22 counties and cities in Taiwan and four Taiwanese schools abroad.

(3) "Education Through Gaming" — Breaking The Boundaries of Game-Based Learning
Arts that incorporates technology with games can spark more diversified and interesting ways of
learning. This stimulates students' interests in the knowledge of aestheticism and transforms their
imaginations of education!

QCEF unveiled the brand new "Education through Gaming" program, through collaboration with domestic well-known online learning platform "PaGamO" and leverage game-based learning approach to expand art resources of our "Immersed in Creativity" initiation beyond campus walls. Unbounded by the limitation of form, location, and time, anyone can learn through the Web and become acquainted with arts. By attracting students to learn proactively through online defense game, students not only develop the fundamental knowledge of arts, but also enhances their understanding and appreciation for arts. The program would ultimately attract more children to fall in love with arts through gaming. Since the program was launched, more than half a million people have experienced the program and methods of appreciating arts become more diversified and fun through online games and e-sport competitions.

(4) "Design Learning Program" — Inspire Students' Learning Desire with Visible Transformation of Learning

Through exhibition curating process, the traditional method of teaching and learning is shattered, students develop the habits of proactive learning and independent problem-solving capability. Teachers and students work hand-in-hand to design the learning process, leveraging exhibition curating to transform the potential of teaching. Teachers are guided to design expert roles centered around learning to motivate students' desire to learn independently.

In 2018, a total of 18 elementary and junior high schools from 13 counties of Taiwan took part in the program, training 96 teachers from various fields and cultivating 724 student vanguards.

(5) "IIC Awards" — Sharing Creativity and Announcing Winners of the IIC Awards

To inspire teachers' creative teaching skills and to cultivate children's proactive learning, creative thinking, and verbal communication skills, Quanta IIC Awards (Immersed In Creativity Award) provides a stage for teachers and students to exchange experiences through the competition of "Creative Curriculum" and "Student Vanguard." The IIC Awards fulfill the objective of inspiring creativity through arts. Major competition awards include: Student Vanguard Award, Creative Curriculum Award, Administrative Team Award, and Administrative Support Award.

The theme for the 9<sup>th</sup> Quanta IIC Awards was "Immersed in Creativity – Exploring the World", where replicates of classic artworks from previous Overseas Exploring Reality Missions were exhibited at the award venue. The number of student vanguard participated in the 9<sup>th</sup> Quanta IIC Awards competition reached record high of 842 students.

(6) "Quanta Global Culture Ambassador" — Develop The World View of Symbiosis Diversification Since we started recruiting foreign students studying Chinese in 38 Chinese Language Centers in year 2014 for the inaugural Quanta Global Culture Ambassador program, the program has now expanded recruitment to 153 colleges and universities throughout Taiwan. In 2018, a total of 15 Global Culture Ambassador candidates from 8 countries were appointed to conduct missions in 15 schools across Taiwan. The ambassadors would share the culture of their home countries, their living experiences in Taiwan, and introduce abundant exotic cultures into the campuses, including language, natural science, history, geography, humanities, and gastronomy. The exchange and sharing of different cultures from Global Culture Ambassadors, Taiwanese students are inspired to think about the cultural differences, how foreigners perceive Taiwan, and how Taiwan is situated on the world map. In turn, Taiwanese students are encouraged to appreciate the value and distinct features of local culture, thereby endowing them with a more inclusive worldview. (7) Public Outreach — Disseminating The Aesthetics of Art and Devote Energy

The Foundation actively participates in various public outreach programs through the "Quanta Creative DNA Scholarship," foundation's annual collaborative projects, education cooperation with museums, exhibition cooperation, and volunteer program. The Foundation further sponsors and supports arts, creativity, fosters international exchange programs between international organizations and schools. Participation in public policies discussion and to propose recommendations on education. The Foundation hopes to exert its influence, brings more groups and individuals together to convey the beauty of art and to contribute to the society.

#### (3) Quanta Arts Foundation

The Foundation is heading into the ninth year of establishment, we have gone through the process of searching, execution, and practicing. The Foundation now stands firmly in our areas of expertise.

For the upcoming fourth three-year plan, our duty and mission are set to "speak up and rise," and expect ourselves to become the "Chairperson of performing arts" with target to discover problems, solve problems, and to connect generations to build a database for arts and culture. Internally, we present quality arts and cultural performances every year to employees at Quanta Arts & Performance Center. Externally, the Center functions as a base for connecting with neighbors through charity and give-back to community performances.

In technology and art, the Foundation serves as an intermediary to discover quality performance groups, to provide them with practical supports, and to provide directions for performing tours. The Foundation utilizes the Commission Creation Project to fulfill three levels of talent cultivation - "Material Selection, Talents, and Resources" in order to provide various resources and stay ahead of others to attend team growth and development.

In talent development, the Foundation devotes full resources to cultivate professional talents as our duty. In recent years, we have been actively promoting international culture exchange activities. Apart from mainland China, in which we have been running the program for years, we have also been expanding the program into other Asian countries. Specifically, we've promoted the "Chinese Arts Consortium" program to successfully recommended the performing teams to perform at the Malaysia Art Festivals and start cultural exchanges and performing activities in South Korea, and initiated culture exchange program with South Korea by inviting musical performance groups from South Korean to perform in Taiwan. Additional activities include expert talks and workshops are also arranged. Please visit the Foundation website at <a href="http://www.qaf.org.tw">http://www.qaf.org.tw</a> for more details.

(1) Performing Arts with Technology - *Developing Cultural and Creative Power of Taiwan*The Foundation initiated the "QA Ring International Digital Arts Exhibitions of Collaborative Culture Projects" and was awarded with sponsorship from the "Collaborative Culture Projects" to successfully promote young Taiwanese artists to the international stage. Through collaboration with international organizations, an integrated exchange platform was established, paving the path for Taiwanese creative artists to connect with the international market. Through the in-depth exchange model of "online discussion, workshops, and transnational exhibitions and performances," we invited international consultants and project-based instructors to incubate project completion.

## (2) 2018 "Creative Sponsorship" Program

We are heading into the eighth year of the program and the program has successfully supported over 60 performances in various types. The number of applications continue to increase every year and the creative topics are also fairly diversify. The theme of the creative sponsorship program is centered around "Three Assets - Material Selection, Talents, and Resources." Projects are screened from topics selection, assistance and publicity are provided in the creation process, and external promotion after a successful publication of works are provided to ensure full participation of the entire process. Not only does the program stimulate the birth of quality creative works, but also inject innovative energy into performing arts. The program has become one of the dream platforms for artists and performing groups to realize and publish their works.

#### (3) Cultivation of Theatrical Talents

#### YISI SHU Academy

Based on years of industry observation, current development and trends of the industry, job market at home and abroad, and collaboration with the Academy's vision, mission, and objective, we've organized various training courses to cultivate theatrical talents, to improve students' skills, and to enhance employment opportunities. The Foundation has long been supporting works in performing arts, we co-prosper and co-exist with performing art groups, and we have accumulated a wide variety of projects and outstanding talent pools. Through the YiSi Shu Academy and active sharing platform, we are able to expand the market and supplement talent shortages in long-term production and field work, as well as promote the long-lasting and steady growth of the theater industry.

## ii. Cultivation Program for Musical Talents

As the earliest base for creating modern musicals, Taiwan has the biggest advantage to host creative exchange platform for cultivation program centered around adolescents. Through three major activities: "in-house musical teaching for senior high school," "senior high school interschool musical league championship," and "musical creation competition reality show," this Program emphasizes promoting musicals to the campus and discovering new-generation musical composers, librettists, and performers. Apart from offering an important venue for experience sharing of musical composers and librettists, the Program can start a new fashion for audiences of different generations to watch original musicals to cultivate more musical goers.

#### (4) Promoting International Cultural Exchange

i. Participated in "2018 China Performing Arts Expo" and "2018 China Parent-Child Expo" The "2018 China Performing Arts Expo" is one of the largest professional performing arts platform that integrates idea exchange, collaboration, and business consultation. The Expo has been successfully organized for seventh consecutive years and the expo attracted representatives from over 100 leading organizations, over 500 performing arts organizations, and over 2,000 professional performing artists.

The "2018 China Parent-Child Expo" themed around "Focus on Parent-Child Entertainment and Promotion of Cross-Sector Collaboration." The Expo invited industry experts to share their experiences in innovation on three topics: differentiating business operations in parent-child business, development of innovative children dramas, and brand breakout of theatrical education. 30 parent-child theme realtors, 300 child business organizations, and 1,000 business owners participated in the event, with nearly 500 projects enquiring for cooperation.

ii. Continue to Collaborate with "Chinese Arts Consortium" To Expand Transboundary Exchange The "Promotional Platform for Performing Arts in Chinese-Speaking Areas" (PPCA) is one of the sub-projects of the "ARTWAVE-Taiwan International Arts Network" program promoted by NCAF. The program utilizes the advantage of language homogeneity in Chinese-speaking areas to seek for collaboration opportunities with international art festivals through multiple strategies covering promotion, matching, and cultivation. The purpose of the initiation is to promote Taiwanese performing arts groups to perform on the international stage, to foster small and medium performing groups and art creation by young artists. The program promotes their works to Chinese-speaking areas and many performing arts groups have successfully given performances in Chinese-speaking areas with satisfactory results.

In 2018, we successfully facilitated "George Town Festival" and "Rainforest Fringe Festival" organized by a key Malaysian production company after our close contacts with the company. We invited over 50 artists from Taiwan to give performances and to participate in artist village residency, exhibitions, and marketplaces in Malaysia to demonstrate the rich creativity and performing arts from Taiwan. Two of our projects "Formosa" and "QARing" from the "creative sponsorship" program were selected to showcase in Malaysia. Apart from enhancing the Foundation's visibility abroad, we have effectively position the Quanta Arts

Foundation as the leader in performing arts development in Taiwan due to our vision and artistic value of art works.

iii. The "2018 New Taipei City Original Musical Festival"—An Era for The Dissemination of Musicals

The New Taipei City Original Musical Festival is heading into the second year of the program with goals to cultivate more next-generation audience for musical performances and to develop their habits of performing arts appreciation, and to participate in the Asian fashion of musicals!

The creation of modern musical performance started in Taiwan more than 20 years ago and has entered its maturity nowadays. Musical creation has gradually earned a role in Taiwan and other Asian countries, the Foundation has been promoting musical performances s to Chinese-speaking areas, aside from mainland China, we have also successfully collaborated with South Korea. The collaboration successfully introduced Taiwanese musical performance groups to the "C'musical" musical circle in South Korean for the first time. We also invited South Korean groups to perform in Taiwan, the works of C'musical are young with high musicality and was favored by the public. Apart from presenting the charm of South Korean musicals to Taiwanese audiences, it is the Foundation's hope that such activities can stimulate the creative energy of young composers and producers.

## (4) Performance of Charity Activities Is Shown as Follows:

Organization		ary Amount Invo (NT\$: Millions)	ested	No. of Participants (headcounts, note 1)				
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018		
Quanta Culture	~4,703	~5,309	~4,861	~1,561,000	~1,067,000	~1,125,000		
& Education								
Foundation								
Quanta Arts	~10,940	~4,839	~5,347	~268,000	~125,000	~131,050		
Foundation								
Charity Clubs	~67.4	~79.5	~106.8	~10,500	~5,150	~3,066		
(note 2)								

Note 1: The participants included all who took part in the direct events and indirectly sponsored events by Quanta Culture and Education Foundation.

Note 2: Charity clubs that has been organized voluntarily by employees of QCI subsidiaries in China.

## (6) Implementation Status of Ethical Corporate Management:

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company declare its ethical corporate management policies and procedures in its regulations and external documents, as well as the commitment from its Board to implement the policies?	<b>✓</b>		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. Personnel in charge of the matters are reminded	No significant difference.

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	~		each year of the regulations and are required to sign the compliance form.  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.  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:  • not request for, accept or give any and all forms of bribery;  • not engage in any and all forms of behavior that may harm the company's goodwill;  • avoid any and all forms of events and matters that may constitute conflicts of interest between employees and the company;  • not request for, accept or give any and all forms of gift or	
(3) Does the company establish appropriate precautions against high- potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management	<b>✓</b>		treatment/entertainment that may harm their faithfulness to duty or professional judgment.  The Company has established the "Ethical Corporate Management Best Practice Principles," the "Code of Ethics and Business Conduct," specific governance on approval authority,	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
Best Practice Principles for TWSE/TPEx-Listed Companies?			avoidance of conflicts of interest, and protection of confidential information. The governance is further enhanced through public notices, reporting, publicity, and training.  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 situation conforms with the "Ethical Corporate Management Best Practice Principles," employees shall discriminate the legitimacy of their conducts as per the "Ethical Corporate Management Best Practice Principles" or consult with the Human Resources department in advance.  Furthermore, the Company has established an accounting system, an internal control system, internal and external audit system to perform periodic and unannounced audits.	
2. Implementation of Ethical Corporate Management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?  (2) Describe company establish an	✓ <		As an 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 noncontractually.	No significant difference.
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	<b>~</b>		The CSR Committee of the Company establishes relevant ethical corporate governance in compliance with the RBA Code of Conduct on integrity and	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	~		ethics and the Committee performs periodic reviews on the effectiveness of our regulations. Despite its independency from the Board of Directors, the Committee reports relevant CSR strategies, management directions, and promotion plans to the Board for approval before implementation. The Committee also reports the results of implementation periodically to the Board.  The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics and Business Conduct" to prevent conflicts of interest. Employees are required to faithfully report any potential conflict of interest every year.  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	
(4) Has the company established effective	✓		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.  The Company has established	
systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?			accounting system and the internal control system, as well as other relevant systems. Establishment and amendments of these systems are proposed and resolved by the Board of Directors. Additionally, dedicated internal audit team is also established, and we further entrust CPAs to perform external audits periodically.	

			Implementation Status	Deviations and the
Evaluation Item	Yes	No	Abstract Illustration	cause(s) of deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			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.  To respect and to ensure employees understand their rights and interest 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, ethnical corporate management, occupational health and safety, project management, and counseling. In 2018, the number of participants and the length of training across our four manufacturing sites were 853,270 participants and 1,301,742.2 hours respectively. Specifically, 83.2% of employees in Taiwan received such training, while employees or direct labors in mainland China (Shanghai, Changshu, and Chongqing) are100% trained.	
3. Operation of The Integrity Channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	~		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 of reporting to their supervisors. Employees may also directly report the matters to the human resources manager, the chief auditor, or through the employee grievance channels if necessary.  Employees reporting a violation of the Code of Conduct and subsequently	No significant difference.

			Implementation Status	Deviations and the
				cause(s) of
				deviations from the
Evaluation Item				Ethical Corporate
Evaluation item	Yes	No	Abstract Illustration	Management Best
				<b>Practice Principles</b>
				for TWSE/TPEx
				Listed Companies
			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.	
			Other stakeholders with objections or	
			concerns may express their opinions	
			through our CSR contact window.	
			_	
(2) Does the company establish standard	✓		We have established the protection	
operating procedures for confidential			and non-retaliation mechanism in the	
reporting on investigating accusation			code of ethics of our CSR system	
cases?			based on the RBA Code of Conduct.	
(3) Does the company provide proper	✓		Employees reporting a violation of the	
whistleblower protection?			Code of Conduct and subsequently	
			participate in related investigations are	
			protected by the Company against any	
			unfair treatment or retaliation.	
4. Reinforcing Information Disclosure				No significant
(1) Does the company disclose its ethical	✓		Information on ethical corporate	difference.
corporate management policies and			management, social responsibility,	
the results of its implementation on			and business philosophy are disclosed	
the company's website and MOPS?			on our Corporate website. Designated	
			team is assigned to collect and	
			publish relevant information.	

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:

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.

6. Other material information that to facilitate better understanding of the company's ethical corporate management policies (e.g., review and amend its policies)

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.

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 & Ethical Management Committee. In addition to fulfilling the RBA requirements, our expectations and demands for suppliers also include the acceptance of our

			Implementation Status	Deviations and the	
				cause(s) of	
Evaluation Item				deviations from the	
	Yes	s No		Ethical Corporate	
			Abstract Illustration	Management Best	
					Practice Principles
				for TWSE/TPEx	
				Listed Companies	

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.

(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: <a href="http://quantatw.com/Quanta/english/Default.aspx">http://quantatw.com/Quanta/english/Default.aspx</a>, 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 possibilities of insider trading.

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

## Quanta Computer Inc. Statement of Internal Control

28th March, 2019

With regards to the results of 2018 self-evaluation of the internal control system, we hereby declare the following:

- 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, 2018, 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 prospectus, 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 28, 2019 with none of the seven attending directors expressing dissenting opinions.

#### **Quanta Computer Inc.**

Chairman of the Company:	President of the Company
(Barry Lam)	(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

	Annual General Meeting of Shareholders									
Date	Major Resolutions	Implementation Status								
2018.06.15	<ul> <li>Report distribution of employees' bonus and remuneration to Directors</li> </ul>	Proceeded as approved.								
	<ul> <li>Approved FY2017 business report and financial statements (including independent auditor's report and Audit Committee's review report)</li> </ul>	Please refer to financial statements disclosed on company's website and MOPS								
	◆ Approved the allocation of FY2017 distributable earnings	The AGM resolved to distribute stock dividend of NT\$0 and cash dividend of NT\$3.40 per share. The BoD meeting then set August 5th, 2018 as the base date for disposition and August 24th, 2018 as the date for cash dividend disposition. All dividends have been distributed as resolved.								

	The 12 <sup>th</sup> Board of Directors Meetings									
Date	Period	Summary								
2018.03.26	14	♦ Status report on derivatives transactions from the previous period.								
		♦ Approved FY2017 financial statements.								
		◆ Approved independent CPA's audit report to be issued for FY2017 financial statements.								
		♦ Approved FY2017 business report.								
		◆ Approved the effectiveness evaluation and the statement of declaration on the Company's internal control system.								
		♦ Approved the allocation of FY2017 distributable earnings.								
		<ul> <li>◆ Approved FY2017 distribution of employees' bonus and remuneration to Directors.</li> <li>◆ Approved amendments of major internal policies.</li> </ul>								
		<ul> <li>◆ Approved donation to the Chinese National Association of Industry and Commerce (CNAIC).</li> </ul>								
		♦ Approved matters relating to FY2018 AGM.								
		◆ Approved IFRS 16 implementation plan and preliminary evaluation of potential impacts.								
		♦ Ratified credit limit applications from financial institutes.								
2018.05.11	15	♦ Status report on derivatives transactions from the previous period.								
		♦ Approved internal audit report.								
		♦ Approved Q1 FY2018 financial statements.								
		◆ Approved independent auditor's review report to be issued for Q1 FY2018 financial								
		statements.								
		◆ Approved proposal of cash capital increase for Quanta Venture Capital Co., Ltd.								
		♦ Approved the 2017 CSR report.								
		◆ Approved proposal of applying for syndication loans from financial institutes.								
		◆ Ratified credit limit applications from financial institutes.								
		◆ Approved donation to The SINOCON Industrial Standards Foundation								
2018.07.10	16	♦ Status report on derivatives transactions from the previous period.								

	The 12 <sup>th</sup> Board of Directors Meetings								
Date	Period	Summary							
		♦ Approved internal audit report.							
		Status report on the liability insurance for directors.							
		◆ Approved base date for dividend disposition.							
		◆ Approved adjustment of authorization on syndication loans.							
		Ratified credit limit applications from financial institutes.							
2018.08.08	17	Status report on derivatives transactions from the previous period.							
		♦ Approved internal audit report.							
		♦ Approved 1H FY2018 financial statements.							
		♦ Approved independent auditor's review report to be issued for 1H FY2018 financial statements and.							
		♦ Ratified credit limit applications from financial institutes.							
2018.09.07	18	◆ Status report on derivatives transactions from the previous period.							
		♦ Approved internal audit report.							
		◆ Approved FY2017 distribution of remuneration to management team.							
		♦ Approved FY2017 distribution of remuneration to Directors.							
		◆ Approved credit limit of short-term working capital needs for subsidiaries.							
		Ratified credit limit applications from financial institutes.							
2018.11.13	19	◆ Status report on derivatives transactions from the previous period.							
		◆ Approved internal audit report.							
		◆ Approved Q3 FY2018 financial statements.							
		◆ Approved independent auditor's review report to be issued for Q3 FY2018 financial statements.							
		◆ Approved donation to the Chinese National Association of Industry and Commerce (CNAIC).							
		♦ Approved proposal of land acquisitions.							
		♦ Approved proposal of land and buildings acquisition.							
		♦ Approved proposal of plant layout adjustment.							
		◆ Approved the credit limit of short-term working capital needs for subsidiaries.							
		◆ Ratified credit limit applications from financial institutes.							
2018.12.21	20	◆ Status report on derivatives transactions from the previous period.							
		♦ Approved internal audit report.							
		◆ Approved "2019 Annual Audit Plan" for the Company and its subsidiaries.							
		◆ Approved 2019 CSR Strategy and Direction for the Company.							
		◆ Approved annual assessment of accountants' independence and professional							
		qualifications.							
		Approved donation to Quanta Arts Foundation.							
		Approved 2018 annual bonus distribution plan for management team.							
		◆ Approved application for "Pharmacist Manufacturing License" and "Pharmacist Selling License"							
		♦ Approval the proposal to set up QTMC – Hwaya Site 2							
		◆ Approved the credit limit of short-term working capital needs for subsidiaries.							
		♦ Ratified credit limit applications from financial institutes.							

- (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, 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	e of CPA	CPA's Audit Period	Remarks
KPMG Taiwan	Wan-Wan Lin	Liu-Feng Yang	2018/1/1-2018/12/31	-

Fee F	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 Name of CPA		Audit		No	CPA's Audit				
Firm		Fee	System Design	Company Registration	Human Resources	Others	Subtotal	Period	Remarks
	Wan-Wan Lin Liu-Feng Yang	11,250	-	-	-	2,200	2,200	2018/1/1- 2018/12/31	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, income tax filing, make good of tax on transfer pricing.
- (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

		20	)18	As of Apr. 23, 2019		
Title	Name	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman & Shareholder with over 10% shareholding	Barry Lam	0	0	0	0	
Vice Chairman & President	C.C. Leung	20,000,000	0	0	0	
Director & EVP	C.T. Huang	0	0	0	0	
Director & SVP	Tim Li	0	0	0	0	
Independent Director	Wei-Ta Pan	0	0	0	0	
Independent Director	Chi-Chih Lu	0	0	0	0	
Independent Director	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	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	
SVP	C.S. Lee (Date of Dismissal 02/28/2018)	0	0	0	0	
VP	C.C. Chen (Date of Dismissal 03/09/2018)	0	0	0	0	
SVP	Jacky Long	0	0	0	0	

	(Date of Dismissal 01/01/2019)				
VP	Michael Wu (Date of Appointment 03/01/2019)	0	0	0	0
VP	Frank Chuang (Date of Appointment 04/17/2019)	0	0	0	0
VP	Robin Chou (Date of Appointment 04/17/2019)	0	0	0	0
Shareholders With 10% Shareholdings or More	Chien Yu Investment Co Ltd	0	0	0	0

(2) Transfer of Shares: NA(3) Pledge of Shares: NA

## 8. Related Party Relationships Among Top Ten Shareholders

As of 04/23/2019 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		Remarks
		Shares	%	Shares	%	Shares	%	Name	Relationship	
1.	Chien Yu Investment Co., Ltd.	572,401,374	14.82%	-	-	-	-	Parny Lam	Barry Lam serves as the	
	Chairman: Barry Lam	415,738,138	10.76%	11,157,506	0.29%	4,400,000	0.11%	Barry Lam	Company's Chairman	
2.	Barry Lam	415,738,138	10.76%	11,157,506	0.29%	4,400,000	0.11%	Chien Yu Investment	Barry Lam serves as the	
	Barry Larri							Co.,Ltd.	Company's Chairman	
3.	Cathay Life Insurance Co., Ltd.	164,895,000	4.27%	-	-	-	-	NA		
	Chairman: Hong-Tu Tsai	-	ı	-	-	-	-	NA		
4.	Government of Singapore	134,194,232	3.47%	-	-	-	-	NA		
5.	C.C. Leung	82,645,736	2.14%	-	-	-	-	NA		
6.	He Sa Trust	80,000,000	2.07%	-	-	-	-	NA		
7.	Labor Pension Fund	79,843,000	2.07%	-	-	-	-	NA		
8.	Fubon Life Insurance	75,500,000	1.95%	-	-	-	-	NA		
	Chairman: Richard M. Tasi	-	-	-	-	-	-	NA		
9.	Nan Shan Life Insurance Co., Ltd.	72,690,000	1.88%	-	-	-	-	NA		
	Chairman: Ying-Tzong Tu	-	-	-	-	-	-	NA		
10.	Labor Insurance Fund	68,604,746	1.78%	-	-	-	-	NA		

## 9. Ownership of Shares in Affiliated Enterprises

Unit: thousand shares

Affiliated Enterprises	Ownership by	the Company		ect Ownership by rvisors, 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.	364	27.50%	1	1	364	27.50%	
Quanta Computer Technology Investment Corp.	60,000	100.00%	ı	1	60,000	100.00%	
Quanta Micro-System Inc.	17,500	75.19%	5,775	24.81%	23,275	100.00%	
RoytalTek Company Ltd.	18,604	36.76%	409	0.81%	19,013	37.57%	
Quanta Cloud Technology Inc.	28,199	99.99%	ı	1	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%	1	1	-	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%	

## IV. Fund Raising

## 1. Capitals and Shares

- (1) Sources and Types of Capital
  - i. Sources and types of capital

	Face	Authorize	ed Capital	Paid-Ir	Capital	Cap	oital Sources	(NT\$ Tho	usand)	Capital Stock	
Date	Value Per Share	Shares (1,000)	Amount (NT\$1,000)	Shares (1,000)	Amount (NT\$1,000)	Capital Increase By Cash	Recapitali zation of Earnings	Capital Surplus	Recapitaliza tion of Convertible Bonds	Offset With Non-Cash Assets	Others
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

Shara Tura		Authorized Capital						
Share Type	Outstanding Shares	Unissued Stock	Total	Remarks				
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

2019/4/23

Item	Government Agencies	Financial Institutions	Other Institutional Investors	Foreign Institutions and Individuals	Domestic Natural Persons	Treasury Stock	Total
Number of shareholders	0	51	307	867	91,750	0	92,975
Shareholdings	0	526,482,851	1,106,617,830	1,062,120,169	1,167,406,582	0	3,862,627,432
Percentage (%)	0.00%	13.63%	28.65%	27.50%	30.22%	0.00%	100.00%

## (3) Shareholding Distribution Status

2019/4/23

Class of Shareholding	Number of Shareholders	Shareholdings	Percentage (%)
1 - 999	23,760	4,888,995	0.13%
1,000 - 5,000	52,430	113,356,376	2.92%
5,001 - 10,000	8,963	68,145,412	1.76%
10,001 - 15,000	2,593	32,644,374	0.85%
15,001 - 20,000	1,563	28,779,179	0.75%
20,001 - 30,000	1,280	32,671,345	0.85%
30,001 - 40,000	558	20,027,913	0.52%
40,001 - 50,000	336	15,674,118	0.41%
50,001 - 100,000	609	43,659,499	1.13%
100,001 - 200,000	313	44,891,080	1.16%
200,001 - 400,000	176	51,702,531	1.34%
400,001 - 600,000	76	37,448,217	0.97%
600,001 - 800,000	54	37,374,772	0.97%
800,001 - 1,000,000	28	25,360,307	0.66%
1,000,001 and above	236	3,306,003,314	85.58%
Total	92,975	3,862,627,432	100.00%

## (4) List of Major Shareholders

2019/4/23

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	Cathay Life Insurance Co., Ltd.	122,681,000	4.27%
4	Government of Singapore	114,467,232	3.47%
5	C.C. Leung	82,645,736	2.14%
6	He Sa Trust	80,000,000	2.07%
7	Labor Pension Fund	79,843,000	2.07%
8	Fubon Life Insurance	75,500,000	1.95%
9	Nan Shan Life Insurance Co., Ltd.	72,690,000	1.88%
10	Labor Insurance Fund	68,604,746	1.78%

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

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

Item		Year	2017	2018	2018/01/01- 2018/03/31
Mankat Duice	Highest		80.00	65.20	57.80
Market Price	Lowest		59.20	47.00	51.20
per Share	Average		67.15	54.31	55.84
Net Worth per	Before Distri	bution	34.36	35.00	(note 6)
Share	After Distrib	ution	30.95	(note 1)	(note 6)
	Unadjusted	Weighted Average Shares	3,854,519	3,854,519	(note 6)
Earnings Per		EPS	3.73	3.92	(note 6)
Share	A aliaka al	Weighted Average Shares	3,854,519	(note 1)	(note 6)
	Adjusted	EPS	3.73	(note 1)	(note 6)
	Cash Dividen	nds	3.40	(note 1)	(note 6)
Dividend Per	Stock	Retained Earnings	0	(note 1)	(note 6)
Share	Dividends	Capital Surplus	0	(note 1)	(note 6)
	Accumulated	Undistributed Dividends <sup>2</sup>	0	(note 1)	(note 6)
Datama	Price/Earnin	gs Ratio <sup>3</sup>	18.00	13.85	(note 6)
Return on	Price/Divide	nd Ratio⁴	19.75	(note 1)	(note 6)
Investment	Cash Divider	nd Yield Rate <sup>5</sup>	5.06%	(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 Law, 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 FY2018 allocation of distributable earnings proposal has been approved by the FY2019 BoD as follows:

- A. Type and value of dividends distribution:
  - Stock dividend: NT\$0 per share.
  - Cash dividend: NT\$3.55 per share (cash dividends NT\$13,712,327,000)
- 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 FY2019 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 proposal for FY2018 distributable earnings has been approved by FY2019 BoD meeting. Remuneration for employees and directors is estimated at NT\$ 1,364,914,000 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 FY2018. Any difference between the actual amount of distribution and the estimated amount of distribution shall be considered as a variation in accounting estimate and recorded through income statement in FY2019. There is no difference between the distributed and estimated amounts this 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 was distributed in FY2018.
- 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\$3.73
- iv. Actual amount of remuneration distribution for employees and directors in the previous year: FY2017 remuneration for employees and directors was NT\$1,404,100,000 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.

Issuance of Corporate Bonds: NA
 Issuance of Preferred Shares: NA

4. Issuance of Global Depositary Receipts (GDRs)

Date of issuance	2003/11/26
Item	2003/11/20
Period of Issuance	2003/11/26 to 2003/12/15
Place of Issuance and	Place of issuance: Europe, Asia, and America
Transaction	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	Combined issuance of new shares issued for capital increase and existing shares held
Sources	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	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:  1. Exercise of Voting Powers: GDR holders may exercise the same voting rights as those of common share holders as stipulated in GDR contract and regulations of the Republic of China.

			2. Padamation of CDPs:					
			<ol> <li>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>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> <li>When Quanta Computer issues capital increase by cash or similar activity, the</li> </ol>					
			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 prograta the income from GDR sales to GDR holders.					
Trustee			NA					
Depositor	y Institutio	on	Citi Bank					
Custodian	ı Institutio	n	Citi Bank Taipei Branch					
Outstandi	ing Balance	2	1,994,818 units (as of 2019/03/31)					
Treatment of Expenses Incurred At Issuance And Thereafter			<ol> <li>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>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,     </li> </ol>					
Important	t Conventi	ons About	information disclosure fee, and all other related fees.  The depositary institution performs the obligations for GDR holders, while the					
Depositor	Important Conventions About Depository and Escrow Agreement		guarantee agency holds the GDR common shares.					
M		Highest	11.16					
arke	2018	Lowest	7.66					
Market Price Per Unit		Average	9.05					
ice F	Current	Highest	9.38					
er (	year to	Lowest	8.43					
Jnit	2018/03 /31	Average	9.04					
	· · · · · · · · · · · · · · · · · · ·	·						

#### 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 1988, Quanta Computer is 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, loT, and AI applications to proactively expand the integrated deployment of our operations.

#### ii. Consolidated Revenue Breakdown:

FY2018 major products revenue contribution is tabulated below:

Industry Sector	Product Category	Revenue Contribution (%)
Flootusuiss	Computer products	98.87%
Electronics	Other electronics	1.13%
	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 anytime, 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 deployment schedule for 5G.

#### 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 hospitals, we introduce 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 homes, we introduce the "smart tele-homecare system" that combines private cloud platform, machine learning, big data analysis, and software to form a complete tele-homecare and health management solution.

In AloMT (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 Computer 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 Computer 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 Industry 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.

#### 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.

#### (2) Industry Overview

i. Current Status and Prospects of the Industry:

Based on data of the past five years, it is clear that NB products have entered its plateau period in the product life-cycle, where replacement cycle due to hardware specification upgrade is gradually flattened out. Although, sales performance was better than expected from the second half of 2017 to the first half of 2018, the strong momentum was mostly driven by commercial market. This was due to the lack of replacement products for notebook PCs in the market in the short term. Among the potential

substitutes for notebook PCs, the input technology and functionality of tablets remain incomparable to notebook PCs. Although smartphones support a range of applications, the screen size is too small that it is difficult to process large amount of data or advanced functions and even putting burden on users' eyes. For these reasons, sales momentum rebound was observed in the notebook PC market in 2017 and 2018.

In the second half of 2018, the profit of branded notebook companies was affected by the supply constraint of Intel CPUs, the uncertainty of the US-China trade tension, and the rise of component prices. Even retail ASP fluctuated more vigorously. The supply constraint of Intel CPUs also diminished some notebook demands for 2018. At the end, the global notebook PC shipment in 2018 reached 163.70 million or 0.5% decline from the 164.70 million units shipped in 2017.

As the supply constraint of Intel CPUs continues, it is estimated that the global notebook PC shipment in 2019 will decline by 1% from the previous year (Digitimes Research, 2018/9). Market share of branded notebook companies is likely to remain "the big ones get bigger" situation, where market share of the top six branded companies is expected to continue to rise and will further suppress other branded companies. Furthermore, the sales of Chinese branded notebook companies, such as Xiaomi and Huawei, continue to rise in domestic market and their deployment in overseas market remain to be seen.

According to Digitimes Research, ARM-based SoC architecture will likely to become another option besides Apple, Qualcomm, and Microsoft. ARM-based PCs may create competitive advantage in both cost and supply chain ecosystem over the traditional x86 architecture. Thus creating new growth opportunities for the notebook market in the next five years.

The gradual maturity of AI, AR, and flexible display technologies will continue to drive a new design reform in consumer electronics, and the trend of co-opetition with the notebook market is worthwhile of further observation.

In terms of business opportunities in cloud infrastructure, Quanta has been devoting in the area of public cloud. According to Digitimes Research, global server shipment is estimated to reach 15.27 million units or annual growth rate of 9.8% in 2018. Hyperscale data centers offering public cloud services will still be the main driver of overall market growth. The demand for hyperscale data centers will rise above the average, with the combined demand growth rate at 22% from the four leading U.S. hyperscale data center players, including Amazon Web Services (AWS), Facebook, Google, and Microsoft. Their overall market share raised from 24.3% in the previous year to 27.1%. The demand in China server market mainly comes from cloud service providers including BATJ (Baidu, Alibaba, Tencent, and JD Cloud) and enterprises' need for building datacenters. Shipment growth momentum for traditional braded server players was limited due to market invasion by whitebox vendors.

As cloud operation has become a trend of global IT solutions, latest research from IDC indicated that the overall cloud IT infrastructure equipment market, including server,

enterprise storage, and Ethernet switches, continued to increase significantly by 47.2% in Q3 2018, amounting to US\$16.82 billion, surpassing the traditional non-cloud IT infrastructure equipment market for the first time. In that quarter, market growth rate in all regions increased by double digits, while China in particular saw the strongest annual growth rate of 88.7%. Strong growth rate was also seen in APeJ, Japan, the U.S., and Canada, with an annual growth rate of 62.6%, 48.2%, 44.2%, and 43.4% respectively.

Looking into the future, IDC expects the global cloud IT infrastructure market to gradually slow down and the market growth rate will be eased off in 2019 after the strong growth seen in 2018. However, as the development of various IT solutions continues to thrive, the growth potential for cloud-related infrastructure market should not be overlooked. It is estimated that the global cloud IT infrastructure market will reach US\$88.6 billion in 2022, with a five-years CAGR of 13.3%, where CAGR for public cloud and private cloud will be 13.6% and 12.6% respectively. As the cloud IT infrastructure market continues to grow, it is estimated that the market share of cloud IT infrastructure market will grow from 47.4% in 2018 to 57.6% in 2022 in the overall IT infrastructure market, while market share of traditional IT infrastructure market will fall from 52.6% in 2018 to 42.4% in 2022. In 2022, market share of IT infrastructure market for pubic cloud and private cloud will be 66.3% and 33.7% respectively, while their market share in 2018 was 68.8% and 31.2% respectively.

As the revenue of hyperscale data center providers continue to grow strongly, their capex invested in building data centers continue to grow, the number of hyperscale data centers worldwide increased by 11% annually to 430 data centers by the end of 2018. In addition, there are additional 132 data centers either under construction or planning. Currently, there is no sign of cooling down on the current trend of global data center construction. According to Synergy Research, there were over 40 new data centers started operations in 17 regions across the globe in 2018, with the highest increase in the U.S and Hong Kong. In terms of region, the highest increased amount of data centers built is found in Asia Pacific, Europe, Middle East and EMEA. In terms of total quantity, the U.S. has the most hyperscale data centers built in the world, accounting for 40%. While China ranked second, accounting for 8%; Japan and the U.K. ranked the third, each accounting for 6%; and Australia and Germany ranked the fourth, each accounting for 5%. In terms of providers, Amazon and Google had the most data centers starting operations in 2018, with a combined quantity over half of all providers in that year. Although, the world's top 20 cloud service providers each has 22 hyperscale data centers on average, leading cloud service providers, such as Amazon, Microsoft, Google, and Facebook each has 55 or more data centers. In other words, the world's top four cloud service providers led by Amazon own over half of all hyperscale data centers in the world. Data centers for the world's leading cloud service providers are mainly spread in North America, Asia Pacific, EMEA, and Latin America. Data centers for Alibaba and Oracle also spread across the world. Data centers for Apple, Facebook, Twitter, eBay, and Yahoo! are mostly concentrated in the U.S., while data centers for Baidu and Tencent are mainly concentrated in mainland China.

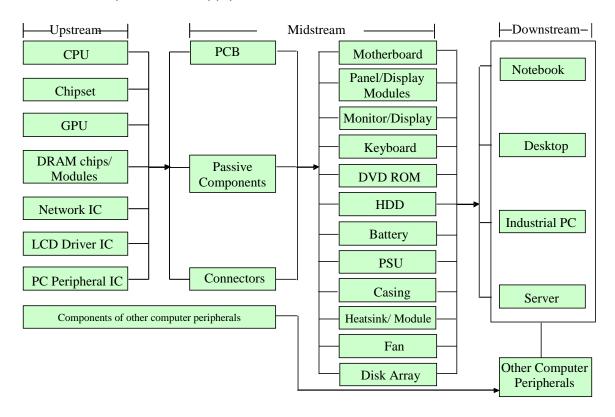
In addition, traditional telecommunication service providers and co-location service providers are forced to change and make adjustments due to the digitization of enterprises and the rise of cloud services. In response to the invasion of over the top (OTT) services, traditional telecommunication service providers and co-location service providers are forced to offer on-promise "public cloud" services and enterprise "private cloud" management services. Furthermore, standardized hardware architecture combined with open and virtualized platform are adopted to reduce operating costs and "edge-to-edge" infrastructure is provided to support the market demand for innovative application services.

This trend severely reduces the traditional source of revenue for co-location service providers and they are forced aggressively transform by providing on-stop service comprising private cloud infrastructure services, private cloud management services, and hybrid cloud management services for enterprise customers.

In conclusion, transformation towards digitization is a natural trend of the time for enterprises. Large enterprises prefer to build on-promise private cloud platforms and leverage the flexible resources and global locations of public cloud services to quickly launch innovative services to the market and to achieve agile enterprise transformation. Along with the push of new wave of technologies including block chain, big data, AI, micro-services architecture, and IoT, the new market demand for cloud products will continue to accelerate. All these demand and market trends will further boost shipment growth momentum in servers, storages, and hyper-converged infrastructure (HCI) in 2019.

As the technology for Virtualized Reality (VR) and Augmented Reality (AR) matures, hardware technology for VR, software, and applications become the main focus of competition. Currently, business opportunities in gaming and education have gradually emerged. The advantages of VR include provision of perspective views and more scenario options to choose from, which compensate for the inadequacy of traditional displays that only provide immersion and limited user scenarios. Due to the immaturity of AR hardware, leading companies are focusing on the integration of technologies including display optical module, control IC, six-DOF positioning system, and 3D reconstruction. In order to introduce AR glasses that are suitable for long-time wearing and uses, products that are light weight with cooling effect that is comfortable to the human body present higher challenges for AR glasses makers. In the near future, AR will start with commercial applications where appearance is less concerned, and consumer AR products will gradually emerge once the manufacturing process of optical waveguide becomes mature.

#### ii. Relationships with the Supply Chain:



#### iii. Product Development Trends and Competitions:

According to Digitimes Research, the aftershock impact from the constraint of Intel CPUs and the rejection effect among models will continue for the following reasons, and the shortage of quad-core CPUs is expected to outnumber that of dual-core CPUs.

- As most new products launched are based on the quad-core architecture, with products at similar shipment quantity, the quad-core architecture will consume a larger area of wafer compared to that of dual-core products. It is estimated that the constraint of 14nm CPU production lines will continue and will be difficult to satisfy market demand in the first half of 2019.
- Low-level Atom processors will first be impacted when CPU capacity is under constraint, and the supply shortage for Apollo Lake and Gemini Lake CPUs will increase.

In the PC industry, the total PC shipment reached 259.4 million units in 2018 according to Gartner, a decline of 1.3% year-over-year and a decline for the seventh consecutive years. In term of branded companies, Lenovo remained its leadership position in global PC sales, while a minor fall was seen in HP. In terms of regional sales, a slight rise was seen in the U.S. since 2018, while a negative growth was found in Europe, Middle East, EMEA and APeJ as a result of the US-China trade tension, except for Japan where sales rose.

Amongst the top three NB players, only Dell delivered shipment growth in 2018, benefited from the recent demand rebound from commercial models, offsetting the weakness in consumer market. The growth of Apple was the highest among the top five

players. In brand ranking, Acer surpassed Asus and ranked fifth, while emerging Chinese brands such as Xiaomi and Huawei each surpassed MSI and Toshiba and ranked eighth and tenth respectively.

In terms of the development of NB branded companies in 2019, after three years of strong expansion, HP is likely to face a minor pull back and begin to see shipment decline. Lenovo faced greater impact from CPU supply shortage for lower-end models compared to peers, thus sharp shipment decline is expected. Apple on the other hand, launched the 13.3-inch MacBook with 2K resolution and a wide range of color selections in Q4 2018, it is expected that such model will stimulate another laptop replacement cycle for Apple with its launch of low-end MacBook Air and the 12-inch MacBook in 2019. Sales momentum for Acer is expected to remain flat as its high-end gaming model outperformed its peers, which offset the decline of its mainstream models and Chromebooks.

According to Topology Research Institute, the thriving gaming industry benefits the booming of gaming notebook PCs and the market is estimated to reach a new sales challenge of 9.8 million units in 2019, equivalent to an annual growth rate of 15%. The growth rate in 2019 is optimistic as witnessed in the strong shipment growth from only 4.7 million units in 2016 to 8.5 million units in 2018. In other notebook products, it is expected that the narrow bezel design will continue to play an essential role in leading the laptop replacement cycle, with a penetration rate of 36%. The narrow bezel design will become the most acceptable trend in new notebook design. According to IDC, the combined shipment volume of traditional PCs, including laptops and workstations, was over 68.10 million units in 4Q 2018, down by 3.7% YoY.

In terms of the development trend of cloud computing related industry, as 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. Under this trend, cloud IT infrastructure must be equipped with the following characteristics: ease of assembly, ease of deployment, ease of management, and ease of maintenance and operation. However, the increasing diversification of IT services makes any single-purpose technology and platform harder to fulfill heterogeneous industrial applications. For this reason, our cloud business unit, QCT, selects the most suitable hardware and software technologies and products to provide hardware and software solution building blocks with high performance, low latency, high price-to-performance ratio, etc. QCT also offers value-added professional services, such as Certification as a Service, factory pre-

installation services, automated system deployment services, and life-cycle management services.

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.

In addition, telecommunication operators are committed to connecting with world-leading cloud computing service providers, hoping to analyze subscriber data in real time at the telecommunication data centers end through edge-to-edge integrated services and integrated billing services. Furthermore, telecommunication operators aim to provide immediate feedback and services through high-speed smart mobile communication networks. In fact, this has become the mainstream business model for telecommunication operators in the future. Telecommunication operators will also operate the new software defined architecture "central office" to provide high-speed and agile infrastructure to reduce operating costs. It is foreseeable that service providers, telecommunication operators, and enterprises will all turn to the development of smart cloud IT infrastructure to increase their competitiveness.

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. In face of such a competitive environment, we embrace open compute architecture and form alliance with software developers, system integrators, and open source communities, in order to build cloud eco-system that provides infrastructure platforms that are simpler, higher efficiency, and greater flexibility to help telecommunication operators to increase long-term profitability and market competitiveness.

In terms of VR and AR related industries, although most consumer AR applications are focused on mobile platforms, such as smartphones and tablets, there is still opportunities for developing commercial AR applications. In 2019, the market size for overall AR/VR consumer market including hardware, software, and services will increase by 68.8% from US\$12.1 billion in 2018 to US\$20.4 billion. It is estimated that the global AR/VR will see CAGR of 69.6%. between 2017 and 2022. The commercial sector will continue to be the major driving force of growth from 60% in 2018 to 64.5% in 2019 and over 80% in 2022. However, the consumer market, mostly in the gaming market, will still be the main target market for related products and services.

#### (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) %
FY2017	12,730,794	1,021,182,900	1.25%
FY2018	13,777,836	1,027,991,038	1.34%

Our 2018 R&D expense was around NT\$13.8 billion, an increase of NT\$1.1 billion from NT\$12.7 billion in 2017 or 8.22% increase. R&D expenses as a percentage of revenue in these two years are 1.34% and 1.25% respectively.

Apart from being one of the *Fortune* 500 companies, we are also an important notebook ODM manufacturer in the world, with production and service locations across Asia, North America, Latin America, and Europe. Our product lines are across information, communications, consumer electronics, and cloud computing areas. We also actively developing our main operational center in Taiwan, and integrate manufacturing sites in Americas, Europe, and Asia, thereby achieving our strong competitiveness in global manufacturing and sales.

With innovation and R&D capabilities as our core competence, we proactively diversify into non-notebook products and focus on raising the proportion of other products. With the "new 3C" technologies, Cloud Computing, Connectivity Technology, and Client Devices, as the foundation of our development, we 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 sever 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 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.
- 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 6,263 patents by 2018 in mainland China, the U.S., Japan, and Europe and acquired 4,231 patents covering notebook PCs, servers, AI, big data, and cloud applications from mainland China, the USA, 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". Based on the two main production
    trends of mass production with centralized management and just-in-time
    distribution, we' have built high-efficiency production sites in Shanghai, Changshu,
    and Chongqing in mainland China. In addition, we have established manufacturing
    sites and maintenance locations in Taiwan, the U.S., and Europe to complete the
    top-down integration. Therefore, we can achieve the goal of effective cost control
    and producing products that meet the economies of scale. Furthermore, by

teaming with other overseas production sites, we provide services with proximity to customers and market, and assemble products based on different customer requirements. Not only can we shorten production lead-time and reduce transportation cost, but we can also 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 components for cost control and risk management. In terms of manufacturing, we persistently promote the construction of Q-factory (Industry 4.0) to significantly increase production efficiency through automated production, production process improvement, and the incorporation of automation technologies and robotic arms.

#### 4. Market strategy

The trend of continuous innovation in products led by world-leading branded companies drives the technology upgrade for the entire supply chain. As a smart manufacturing service provider of electronic products, we 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 robust 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 maintain leadership position in the sector.

#### ii. Long-Term Strategy

#### 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 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 highend, 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. Ahnsen in Germany; São Paulo in Brazil; and Shanghai, Changshu, and Chongqing in China. We also 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 ratio 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.

#### 2. Overview of Market and Sales

#### (1) Market Analysis

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

Year Region	FY2017	FY2018
U.S.	49.70%	50.27%
Mainland China	12.62%	14.43%
The Netherlands	7.04%	6.51%
Japan	5.06%	4.50%
Others	25.58%	24.29%
Total	100.00%	100.00%

Our products are sold worldwide and the composition of our customers is quite international 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 with assembly plants and after-sales service centers established in Taiwan, California and Tennessee in the U.S., Ahnsen in Germany, South Korea, and Japan. 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 service 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, China, Japan, and South Korea 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 Digitimes, Quanta shipped approximately 37.60 million units in 2018, accounting for 24.4% of the global notebook PC shipment of 154 million units. 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, 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 related business in 2018. 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, global notebook PC shipment is expected to decline by 1% in 2019 because of the ongoing supply constraint of Intel CPUs, branded companies trending towards simplification for consumer models, and the global economic uncertainty from the US-China trade tension. Despite the encouraging factors of Apple's new low-end models launch and the finale of the replacement cycle in commercial market, the overall market still lacks momentum to revitalize.

In terms of smart watches, a growth is seen in related business as the customer's sales momentum raises. As smart speakers integrate AI, shopping, quick search, and voice assistant functions, a gradual rise in acceptance is seen in the end consumer market and help to bolster shipment and sales momentum.

In the cloud computing market, the overall market size for Software-Defined Technology is expected to grow at a CAGR of 19.88% from US\$36.51 billion in 2017 to US\$90.42

billion in 2022 according to the Research and Markets statistics. The high growth momentum was driven by the increase use of internet and network interconnection. This momentum indirectly stimulates the high demand for storage, computing power, and complex network solutions, motivating related service providers to invest in data center infrastructure and to increase capital expenditure, in order to build IT infrastructure that can match the rapid growth of data center infrastructure build out.

In addition, to fulfill the demand for ultrahigh transmission volume, massive connectivity, ultralow latency, and ultrahigh reliability from massive mobile communication and personal services, the natural trend of 5G telecom market is irresistible. Therefore, providing telecom operators with brand-new SDN platforms will assist them to virtualize network and cloud computing at the network edge, and to further enhance platform agility, flexibility, elasticity, and enjoy price advantage. Such initiative will further expand the overall market size for telecommunication terminal market. According to Open Networking Foundation (ONF), the size of this market will reach US\$300 billion.

Furthermore, the rise of Software-Defined technology and converged infrastructure is expected to boost the shipment volume of data center hardware and servers. Factors affecting future market supply and demand are as follows:

1. The rise of Software-Defined technology and converged infrastructure favors the sales of industrial standard servers.

Software-Defined technology is gradually affecting the choice of server hardware and full rack solutions for customers. Enterprise customers began to understand the benefits of Software-Defined technology, including optimized infrastructure, high resources utilization rate, flexible deployment, agility, and cost advantage. The market trend also began to turn towards the consumption of converged infrastructure.

2. The popularity of online media streaming will fuel growth momentum for data centers in the U.S.

Online media streaming has long been popular in the U.S., the market bullishly estimates the subscription-based services for video content will become the mainstream of the future TV platform, and will impact the use of traditional TVs. Sources indicated that many system providers, such as Apple and Sony Play Station, have plans to launch subscription-based media streaming services to extend the opportunity in new TV market.

At the rise of subscription-based media streaming service, providing low-latency, high-reliability, and high-bandwidth contents for nationwide users will be the prime agenda for service providers. Apart from the need to cooperate with data centers in second-tier cities in order to transmit audio, video, applications, images, and other files to users from the nearest data center, increasing speed, availability and improving user experience will be an urgent task. Such demand further pushes co-

location service providers to expand data centers in second-tier and third-tier cities to fuel growth momentum in the data center market.

3. Transnational cloud service providers and enterprises will begin to deploy data centers in Europe as the "Safe Harbour" agreement is ruled invalid.

The Court of Justice of the European Union (CJEU) ruled in October 2015 the "Safe Harbour" agreement invalid, and U.S. enterprises can no longer transmit consumer privacy and data between the U.S. and 28 EU countries. As a result, the U.S. cloud service providers were directly impacted by the ruling of the CJEU. According to the EU law, U.S. cloud service providers must store data from users in Europe in local data centers. Due to this regulatory limitation, these transnational cloud service providers and related U.S. enterprises have begun to deploy onshore data centers in Europe or store data in local hosting companies in Europe. The nullification of the "Safe Harbour" agreement thus brings a new wave of demand in data center deployment in Europe.

#### iv. Competitive Strength:

 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 aftersales 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 ultrahigh 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. Increase employee wages and benefits, establish reward systems, such as performance bonus and target achievement bonus, to incentivize base-level employees. Additional benefits include allowances for employee trips and free health examinations.
- b. "Taiwan Design, Smart manufacturing, Global Logistics and Sales": Implement automation 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 added value to regions of 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.

#### 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. Undertake orders from key customers, expand capacity and enhance production efficiency to lower manufacturing cost; enhance in-process quality control to prevent 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, reply on imports from suppliers in the U.S., Japan, and South Korea, making it difficult to control e material cost.

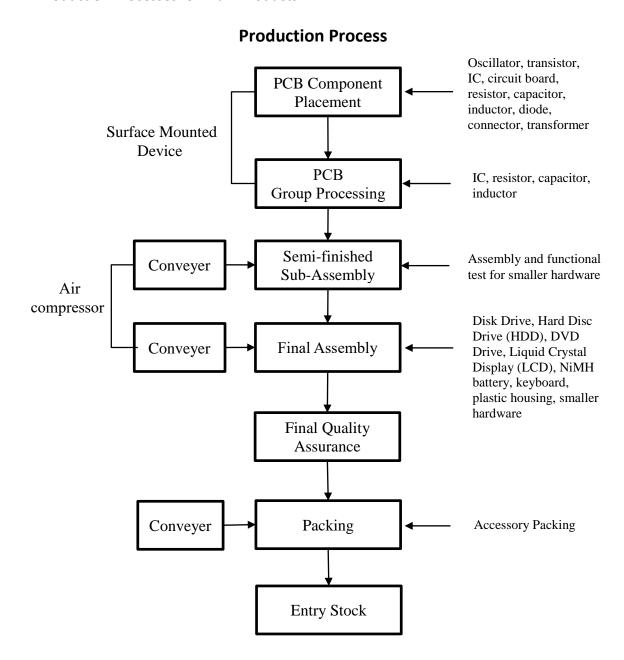
#### Solution:

 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
    - Laptops: Features are lightweight, thin, slim, and small, while key functions include word processing, data management, typesetting, industrial design, presentation, statistical analysis, and multimedia.
    - 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 laaS 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. In addition, the application of head-amounted AR devices has begun in the vertical market, such as prompts for information and object stack, repair, and operation workflow arrangements.

Precise and quick positioning, as well as real-time information projection can be achieved after combining with AI, GPS, and cloud database.

#### 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	AU Optronics, InnoLux, LGD, BOE
Hard Disk Drive (HDD)	Seagate Technology Taiwan, Western Digital
Hard Disk Drive (HDD)	Corporation, Toshiba Taiwan
Battery	Simplo Technology, Dynapack, LGC, 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)

	FY2017				FY2018			
No.	Name	Amount	Percentage in annual sales	Relations with	Name	Amount	Percentage in annual	Relations with issuer
			aililuai sales	issuer			sales	
1	Α	633,197,133	62.01%	NA	Α	582,971,446	56.71%	NA
-	Others	387,985,767	37.99%	-	Others	445,019,592	43.29%	-
-	Net sales	1,021,182,900	100.00%	-	Net sales	1,027,991,038	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)

	FY2017					FY2018				
No.	Name	Amount	Percentage in annual procurements	with	Name	Amount	Percentage in annual procurements	Relations with issuer		
1	Α	310,656,850	32.28%	NA	Α	260,725,285	26.47%	NA		
-	Others	651,804,471	67.72%	-	Others	724,192,200	73.53%	-		
	Cost of				Cost of					
-	goods	962,461,321	100.00%	-	goods	984,917,485	100.00%	-		
	procured				procured					

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)

	FY2017			FY2018			
Output  Major Products (or by department)	Capacity	Quantity	Amount	Capacity	Quantity	Amount	
Computer Products			975,530,673			984,117,743	

Change analysis: No significant change.

# (6) Sales in The Past Two Years:

_ ` '									
Year		FY2017				FY2018			
Sales	Dome	stic	Export		Domestic		Domestic Export		xport
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
Computer Products	-	-	-	1,008,711,410	-	-	-	1,016,419,252	
Other Electronics	-	75,880	-	12,395,610	-	261,634	-	11,310,152	
Total	-	75,880	-	1,021,107,020	-	261,634	-	1,027,729,404	

Change analysis: No significant change.

# 3. Employee Status

# (1) Workforce Distributions

	Year			FY2018	By the date of the report's publication
		Direct Labor	86,237	88,714	56,910
No. of Employ	ees	Indirect Labor	23,387	23,707	23,598
		Total	109,624	112,421	80,508
	Average /	Age	27.05	27.42	29.24
Avera	ge Years	of Service	1.88	2.02	3.50
		Ph.D.	0.08%	0.06%	0.13%
	ı	Master's Degree	3.20%	3.45%	4.89%
Education	В	achelor's Degree	46.28%	41.95%	37.84%
Background	ground Senior High School		19.61%	21.96%	22.51%
	Belov	w Senior High School	30.83%	32.58%	34.63%
		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 new's" series to accommodate the Company's strategy and future development. The "three news's" 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-the-job training (OJT), e-newsletters, workshops, and learning communities, we help employees to enrich their professional knowledge and skill sets. In 2018, we offered over 1,573 sessions of training with an average training length of each employee at 17.9 hours. To celebrate the 30<sup>th</sup> anniversary of Quanta Computer, we organized the "BEST 30" internal instructor competition and a total of 235 internal instructors offered 337 courses covering smart home, IoT, 5G, and AI technologies and applications. 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 2018, the environmental protection expenditure in Taiwan HQ and Manufacturing HQ in China was NT\$18.39 million and CNY\$41.56 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 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, 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. Through Employee Welfare Committee meetings, we conduct meetings between labor and management bimonthly and provisionally to fully understand the needs of employees and is 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 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 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 to protect the life and safety of our employees. 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, medial 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 different 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 heath 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 personal 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 we organize fitness activities and courses 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

			Financial Sur	nmary for Th	e Last Five Ye	ars
Item	Year (note 1)	2014	2015	2016	2017	2018
Current assets	_	541,068,023	470,481,843	532,426,459	562,682,014	600,750,831
Property, Plant and Equ	ipment (note 2)	51,163,310	49,203,488	45,463,001	42,184,996	49,434,575
Intangible assets		822,591	810,511	682,497	748,288	849,013
Other assets (note 2)		5,396,903	3,353,119	2,146,592	1,913,533	2,237,695
Total assets		607,814,722	531,574,219	587,430,061	613,376,095	659,467,182
Current liabilities	Before distribution	441,996,629	368,975,326	427,133,839	473,389,042	498,127,585
Current nabilities	After distribution	426,546,119	354,297,342	413,614,643	460,256,109	(note 3)
Non-current liabilities		25,737,997	22,513,209	20,579,436	1,198,578	20,112,501
Tatal liabilities	Before distribution	467,734,626	391,488,535	447,713,275	474,587,620	518,240,086
Total liabilities	After distribution	452,284,116	376,810,551	434,194,079	461,454,687	(note 3)
Equity attributable to s	hareholders of the parent	132,362,477	132,742,309	132,853,434	132,422,343	134,896,686
Capital stock		38,626,274	38,626,274	38,626,274	38,626,274	38,626,274
Capital surplus		14,030,642	14,042,566	14,053,893	14,072,745	14,085,280
Datained comings	Before distribution	82,979,816	84,830,358	85,257,190	86,043,777	88,240,188
Retained earnings	After distribution	67,529,306	70,152,374	71,737,994	72,910,844	(note 3)
Other equity interest		(2,941,161)	(4,423,795)	(4,750,829)	(5,987,359)	(5,721,962)
Treasury stock		(333,094)	(333,094)	(333,094)	(333,094)	(333,094)
Non-controlling interest		7,717,619	7,343,375	6,863,352	6,366,132	6,330,410
Tatal assitu	Before distribution	140,080,096	140,085,684	139,716,786	138,788,475	141,227,096
Total equity	After distribution	124,629,586	125,407,700	126,197,590	125,655,542	(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

	Financial Summary for The Last Five Years					
Year (note 1)	2014	2015	2016	2017	2018	
Operating revenue	926,321,307	1,007,257,380	893,982,294	1,021,182,900	1,027,991,038	
Gross profit	41,811,205	46,427,631	46,594,261	45,653,186	43,871,961	
Income from operations	14,003,455	18,280,436	19,105,254	17,605,965	14,295,496	
Non-operating income and expenses	10,357,610	4,423,052	1,235,321	2,491,127	4,880,913	
Income before tax	24,361,065	22,703,488	20,340,575	20,097,092	19,176,409	
Profit (loss) from continuing operations	19,236,020	17,749,672	15,410,434	14,515,762	15,332,361	
Income from discontinued operations, net of income tax effect (note 2)	-	-	-	-	-	
Net income (Loss)	19,236,020	17,749,672	15,410,434	14,515,762	15,332,361	
Other comprehensive income (income after tax)	4,423,905	(1,639,616)	(520,122)	(1,537,903)	475,468	
Total comprehensive income	23,659,925	16,110,056	14,890,312	12,977,859	15,807,829	
Net income attributable to shareholders of the parent	18,884,396	17,827,131	15,138,164	14,367,092	15,118,553	
Net income attributable to non-controlling interest	351,624	(77,459)	272,270	148,670	213,808	
Comprehensive income attributable to Shareholders of the parent	23,727,125	16,252,304	14,854,686	13,069,253	15,594,741	
Comprehensive income attributable to non-controlling interest	(67,200)	(142,248)	35,626	(91,394)	213,088	
Earnings per share	4.90	4.62	3.93	3.73	3.92	

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

			Financial Sun	nmary for The	Last Five Yea	rs
Item	Year (note 1)	2014	2015	2016	2017	2018
Current assets		327,395,542	368,829,295	389,998,313	399,960,923	409,842,621
Property, Plant and Equi	pment (note 2)	8,404,615	8,243,797	8,094,840	8,093,124	13,543,653
Intangible assets		68,115	45,541	29,481	31,975	49,043
Other assets (note 2)		13,443	10,132	10,667	11,239	48,796
Total assets		379,543,020	415,341,679	429,429,425	438,374,109	459,745,366
Commonst linkilities	Before distribution	232,220,682	273,214,619	281,035,079	300,671,211	309,756,940
Current liabilities	After distribution	216,770,172	258,536,635	267,515,883	287,538,278	(note 3)
Non-current liabilities		14,959,861	9,384,751	15,540,912	5,280,555	15,091,740
Total liabilities	Before distribution	247,180,543	282,599,370	296,575,991	305,951,766	324,848,680
Total liabilities	After distribution	231,730,033	267,921,386	283,056,795	292,818,833	(note 3)
Equity attributable to sh	areholders of the parent	132,362,477	132,742,309	132,853,434	132,422,343	134,896,686
Capital stock		38,626,274	38,626,274	38,626,274	38,626,274	38,626,274
Capital surplus		14,030,642	14,042,566	14,053,893	14,072,745	14,085,280
Datained carnings	Before distribution	82,979,816	84,830,358	85,257,190	86,043,777	88,240,188
Retained earnings	After distribution	67,529,306	70,152,374	71,737,994	72,910,844	(note 3)
Other equity interest		(2,941,161)	(4,423,795)	(4,750,829)	(5,987,359)	(5,721,962)
Treasury stock		(333,094)	(333,094)	(333,094)	(333,094)	(333,094)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	132,362,477	132,742,309	132,853,434	132,422,343	134,896,686
Total equity	After distribution	116,911,967	118,064,325	119,334,238	119,289,410	(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

Year (note 1)	F	inancial Sumi	mary for The	Last Five Yea	rs
Item	2014	2015	2016	2017	2018
Operating revenue	896,535,209	970,430,051	863,452,459	988,566,371	988,549,563
Gross profit	35,773,331	36,686,541	38,721,724	35,458,363	30,610,727
Income from operations	17,395,277	18,991,969	21,628,238	17,408,966	12,577,284
Non-operating income & expenses	4,648,392	2,257,422	(4,051,746)	(97,380)	4,256,650
Income before tax	22,043,669	21,249,391	17,576,492	17,311,586	16,833,934
Net income for continuing operations	18,884,396	17,827,131	15,138,164	14,367,092	15,118,553
Income from discontinued operations, net of income tax effect (note 2)	-	-	-	-	-
Net income	18,884,396	17,827,131	15,138,164	14,367,092	15,118,553
Other comprehensive income for the year, net of tax	4,842,729	(1,574,827)	(283,478)	(1,297,839)	476,188
Total comprehensive income for the year	23,727,125	16,252,304	14,854,686	13,069,253	15,594,741
EPS	4.90	4.62	3.93	3.73	3.92

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.

# (3) Auditors' Opinions from 2014 to 2018

Year	CPAs	Audit Opinion
2014	Chung-Yi Chiang & Liu-Fong Yang (note)	Unqualified 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

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.

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

# 2. Five-Year Financial Analysis

# (1) Consolidated Financial Analysis – Based on IFRS

Year (note 1)			Financial Analysis for the Last Five Years				
Item			2014	2015	2016	2017	2018
Financial	Debt Ratio		76.95	73.65	76.22	77.37	78.58
structure (%)	Ratio of long-ter property, plant a	•	318.83	327.38	350.12	329.21	323.19
	Current ratio		122.41	127.51	124.65	118.86	120.60
Solvency (%)	Quick ratio		98.74	93.90	95.40	89.86	92.79
	Interest earned	ratio (times)	9.25	11.47	9.95	6.01	3.99
	Accounts receiva (times)	able turnover	5.08	5.79	5.37	5.96	5.45
	Average collection	on period	71.85	63.04	68.16	61.24	66.97
	Inventory turnover (times)		9.45	8.61	6.93	7.58	7.25
Operating performance	Accounts payable turnover (times)		4.82	5.96	5.26	5.79	5.85
	Average days in sales		38.62	42.39	52.81	48.15	50.34
	Property, plant and equipment turnover (times)		18.11	20.47	19.66	24.21	20.79
	Total assets turnover (times)		1.52	1.89	1.52	1.66	1.56
	Return on total assets		3.72	3.43	3.09	2.97	3.22
	Return on stockl	nolders' equity	14.19	12.67	11.02	10.42	10.95
Profitability (%)	Percentage of	Operating Income	36.25	47.33	49.46	45.58	37.01
	paid-in capital	Pre-tax income	63.07	58.78	52.66	52.03	49.65
	Profit ratio		2.08	1.76	1.72	1.42	1.49
	Earnings per share (NT\$)		4.90	4.62	3.93	3.73	3.92
	Cash flow ratio		1.23	(note 3)	11.00	(note3)	3.42
Cash flow (%)	Cash flow adequacy ratio		54.11	59.18	100.33	65.35	42.79
	Cash reinvestment ratio		(note 3)	(note 3)	16.39	(note 3)	1.80
1	Operating levera	ige	1.59	1.52	1.48	1.49	1.66
Leverage	Financial leverage		1.27	1.13	1.13	1.30	1.82

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

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

- (1) Financial Ratio
  - A. Total liabilities to Total assets = Total liabilities / Total assets
  - B. Long-term fund to property, plant and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment

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- (2) Ability to Pay off Debt
  - A. Current ratio = Current Assets / Current liability
  - B. Quick ratio = (Current assets Inventory Prepaid expenses) / Current liability
  - C. Interest protection = Net income before income tax and interest expense / Interest expense
- (3) Ability to Operate
  - A. 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
  - B. A/R turnover day = 365 / account receivable turnover
  - C. Inventory turnover = Cost of Goods Sold / the average of inventory
  - D. 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
  - E. 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 =  $[PAT + Interest expense \times (1 effective tax rate)] / the average of total assets$
- B. Return on equity = PAT / the average of net equity
- C. Net income ratio = PAT / Net sates
- 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 = (Nest 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 decease 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)			2014	2015	2016	2017	2018
Financial	Debt Ratio		65.13	68.04	69.06	69.79	70.66
Financial structure (%)	Ratio of long-ter property, plant a	•	1,710.82	1,684.68	1,775.38	1,636.76	1,082.72
	Current ratio		140.98	135.00	138.77	133.02	132.31
Solvency (%)	Quick ratio		124.36	119.35	127.34	118.05	121.77
	Interest earned ratio (times)		20.98	28.24	16.26	10.68	7.58
	Accounts receiva (times)	able turnover	4.37	4.79	4.31	4.74	4.42
	Average collection period		83.52	76.20	84.92	77.00	82.58
On anatina	Inventory turnover (times)		25.32	23.04	22.06	24.76	24.80
Operating performance	Accounts payable turnover (times)		9.40	8.14	6.48	7.23	8.02
performance	Average days in sales		14.42	15.84	16.59	14.74	14.72
	Property, plant and equipment turnover (times)		106.67	117.72	106.67	122.15	72.99
	Total assets turnover (times)		2.36	2.34	2.01	2.26	2.15
	Return on total assets		5.56	4.65	3.81	3.65	3.82
	Return on stockl	nolders' equity	14.77	13.45	11.40	10.83	11.31
Profitability (%)	Percentage of	Operating Income	45.03	49.17	55.99	45.07	32.56
Profitability (%)	paid-in capital	Pre-tax income	57.07	55.01	45.50	44.82	43.58
	Profit ratio		2.11	1.84	1.75	1.45	1.53
	Earnings per share (NT\$)		4.90	4.62	3.93	3.73	3.92
	Cash flow ratio		26.90	10.03	11.88	(note 3)	6.76
Cash flow (%)	Cash flow adequacy ratio		50.90	80.69	132.48	118.28	129.00
	Cash reinvestment ratio		31.71	8.31	12.52	(note 3)	5.12
Loverage	Operating leverage		1.04	1.03	1.03	1.03	1.05
Leverage	Financial leverag	ge	1.07	1.04	1.06	1.11	1.26

Notes: same as previous chart

# 3. Audit Committee's Review Report

# Quanta Computer Inc. Audit Committees' Review Report

28th March, 2019

The Board of Directors has prepared and submitted to us the Company's 2018 business report, financial statements and proposal for allocation of distributable earnings. FY2018 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 2019 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 Law.

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	2017	2018	Differer	nce	Analysis of Changes
Item	2017	2010	Amount	%	
Current Assets	562,682,014	600,750,831	38,068,817	6.77%	
Fixed Assets	42,184,996	49,434,575	7,249,579	17.19%	
Intangible Assets	748,288	849,013	100,725	13.46%	
Other Assets	1,913,533	2,237,695	324,162	16.94%	
Total Assets	613,376,095	659,467,182	46,091,087	7.51%	
Current Liabilities	473,389,042	498,127,585	24,738,543	5.23%	
Long-term Liabilities	1,198,578	20,112,501	18,913,923	1578.03%	(note 2)
Total Liabilities	474,587,620	518,240,086	43,652,466	9.20%	
Total equity attributable to owners of parent	132,422,343	134,896,686	2,474,343	1.87%	
Share capital	38,626,274	38,626,274	0	0.00%	
Capital surplus	14,072,745	14,085,280	12,535	0.09%	
Retained Earnings	86,043,777	88,240,188	2,196,411	2.55%	
Other Adjustments	(5,987,359)	(5,721,962)	265,397	-4.43%	
Treasury shares	(333,094)	(333,094)	0	0.00%	
Non-controlling interests	6,366,132	6,330,410	(35,722)	-0.56%	
Total Stockholders' Equity	138,788,475	141,227,096	2,438,621	1.76%	

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

  Non-current liabilities increased significantly from the previous year due to increased long-term loan.
- (3) Influence of significant financial changes in the past two years and future countermeasures:

From the above analysis, it is clear that changes in the financial difference in the past two years was the result of normal operating activities, and the ratio of non-current liabilities is only 3.9% of total liabilities. These suggest that the financial changes does not significantly impact the statement of financial position.

# 2. Analysis of Operation Results

# (1) Analysis of Operation Results

Unit: NT\$ thousands

Year	2017	2018	Difference		Analysis of Changes
Item			Amount	%	
Net Sales	1,021,182,900	1,027,991,038	6,808,138	0.67%	
Gross Profit	45,653,186	43,871,961	(1,781,225)	-3.90%	
Operating Income	17,605,965	14,295,496	(3,310,469)	-18.80%	
Non-operating Income and Expenses	2,491,127	4,880,913	2,389,786	95.93%	Note 1
Income Before Tax	20,097,092	19,176,409	(920,683)	-4.58%	
Profit (loss) from continuing operations	14,515,762	15,332,361	816,599	5.63%	
Income from discontinued operations, net of income tax effect	-	-	-	-	
Net Income	14,515,762	15,332,361	816,599	5.63%	
Other comprehensive income, net	(1,537,903)	475,468	2,013,371	130.92%	Note 2
Total Comprehensive Income for the year	12,977,859	15,807,829	2,829,970	21.81%	
EPS	3.73	3.92	0.19	5.09%	

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

- 1. The non-operating income and non-operating expense increased as the foreign exchange gains increased YoY due to the USD exchange rate fluctuation. The USD appreciated in the current period comparing with the previous period, the net foreign exchange gains thus increased YoY.
- 2. The other comprehensive income (net after tax) increased 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 2019, the revenue was NT\$221.3 billion, and about 7.3 million laptops were shipped. It is estimated that growth momentum of laptop in 2019 will be suppressed as a result of the undersupply of Intel CPUs and the uncertainty of the US-China trade war. In addition, benefited from the continuous deployment demand of cloud computing and 5G infrastructure, the growth of the cloud equipment business is expected to maintain. We will continue to build "Q-Factory", enhance manufacturing technologies, and elevate the level of automation through our solid R&D capability, delicacy management, and strict cost control.

# 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. Apart from the production bases in Taiwan,

mainland China, the U.S., and Europe, we have recently expanded new capacity in Hwa Ya Science Park in Taiwan.

We have a stable financial structure and an abundant cash position. In addition, we have also maintained a clean and sound credit record with banks, which enable us greater flexibility in raising funds in response to support working capital needs for business growth and the capital expenditure required for capacity expansion.

#### 3. Analysis of Cash Flow

(1) Liquidity of the year

Unit: NT\$ thousands

Year		2010	Difference		
item	2017	2018	Amount	Ratio (%)	
Cash and Cash Equivalents, Beginning of Year	202,911,112	198,763,364	(4,147,748)	-2.04%	
Net Cash Flow from Operating Activities	(8,634,363)	17,013,223	25,647,586	297.04%	
Net Cash Flow from Investing Activities	(27,897,894)	(3,514,018)	24,383,876	-87.40%	
Net cash flows from financing activities	42,217,020	(5,461,496)	(47,678,516)	-112.94%	
Effect of exchange rate changes on cash and cash equivalents	(9,832,511)	4,480,011	14,312,522	145.56%	
Net increase (decrease) in cash and cash equivalents	(4,147,748)	12,517,720	16,665,468	-401.80%	
Cash and Cash Equivalents, End of Year	198,763,364	211,281,084	12,517,720	6.30%	

- 1. The operating cash inflow was 17,013,223,000 due to net asset and liability changes from operating profits and operational related activities.
- 2. The investing cash outflow was NT\$3,514,018,000 due to the acquisitions of property, plant, and equipment (PP&E).
- 3. The financing cash outflow was NT\$5,461,496,000 due to the reduction of short-term loans and repayment of long-term debts.
- 4. Cash and equivalents increased as a result of the exchange gains from assets denominated in USD.
  - (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

"R&D and innovation" and "manufacture upgrading" are focus of our strategic deployment, and we make major capital expenditure plans based on these two themes. Apart from the production bases in Taiwan, mainland China, the U.S., and Europe, we have recently expanded new capacity in Hwa Ya Science Park in Taiwan. With the advantage of the geographic proximity to our R&D headquarters, we closely combine R&D and production to synergize "time to MP (mass production)" and accelerate the innovation process. Furthermore, to enhance core manufacturing capability, we constantly invest in factory automation and automation equipment to speed up toward Industry 4.0, in order to consolidate our long-term competitiveness.

#### 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 in relation 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 2018, a total of NT\$51,081,000 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 will 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 will 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

lhous	2018				
ltem	Amount	As % of Revenues	As % of pre-tax Profits		
Interest Income (Expense)	705,637	0.07%	3.68%		
Foreign Exchange Gain (Loss)	4,931,405	0.48%	25.72%		

#### 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 on 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 globally 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.
- 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, manufacture, and sales, and we do not engage in high-risk and high-leverage investments.
  - ii. We are conservative in financials 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 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 this 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:

 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 technology, connectivity technology, and client device technology), 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 healthcare; and 5G applications. Apart from continuous engagement of innovation and R&D in the above areas, we will further the development of "3S"- software, service, and system integration, hoping to quickly respond 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, i.e. enabling uninterrupted access of various smart services over the cloud 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 hospitals, we introduce 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.

For homes, we introduce the "smart telecare system" and a series of wearable devices, which combine the private cloud platform, machine learning, big data analysis, and application software to form a complete tele-homecare and health management solution.

In AloMT, 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 AloMT -- "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 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 Marcocell-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 users can use them for a longer time, so it's easier for them to gain acceptance from general users. Apart from continuing VR device development, we actively engage in the R&D of AR devices, combine existing AR/VR and MR hardware manufacture technology with key optical technology to develop cost-effective AR/VR devices. We will further integrate the next-generation computing technology with optical engine applications, in order to promote diversity of applications with 5G infrastructure after breaking through the bottleneck in hardware technology.

#### 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\$14.5 billion in 2019. After the establishment of Quanta Research Institute, apart from hardware development, the subsequent infrastructure and technology development will

be the focus. Going forward, we will continue to invest resources in emerging areas to reach new heights for the business.

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-- "Time to End User, Time to Volume, Time to Market, and Time to Technology" and growth forces -- "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 To meet the need for long-term business growth, respond to the unpredictable changes in macro economics, disperse operational risk, and meet with customer demands, after assessing present and future business, capacity, and workforce demand, in addition to the established production bases in Taiwan, mainland China, the U.S., and Europe, we have recently expanded the capacity of our plants in Hwa Ya Science Park in Taiwan. With the advantage of the geographic proximity to our R&D headquarters, we closely combine R&D and production. The capital expenditure was planned under careful assessment and analysis in terms of capacity demand and utilization planning. The Capex will be disbursed mostly by own operational funds. Therefore, factory expansion will not bring significant influence to our financial position.

We will keep constant track on future customer demands to assess the efficiency of capacity expansion and cost control. By the date of report publication, the capacity expansion plan and progress are still within our expectation.

- (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%, 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%, there is no risk of management change.
- (12) Litigious or non-litigious events:
  - Major litigious or non-litigious events and administrative remedies
    - A. Litigious events:
       Please refer to litigious events stated in the Company's financial statements for details.
    - B. Non-litigious events:

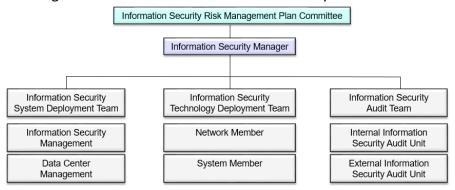
      There was no continuing non-litigious event in the past two years.
    - C. Administrative remedies:

      There was no continuing administrative remedy in the past two years.

- ii. 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.

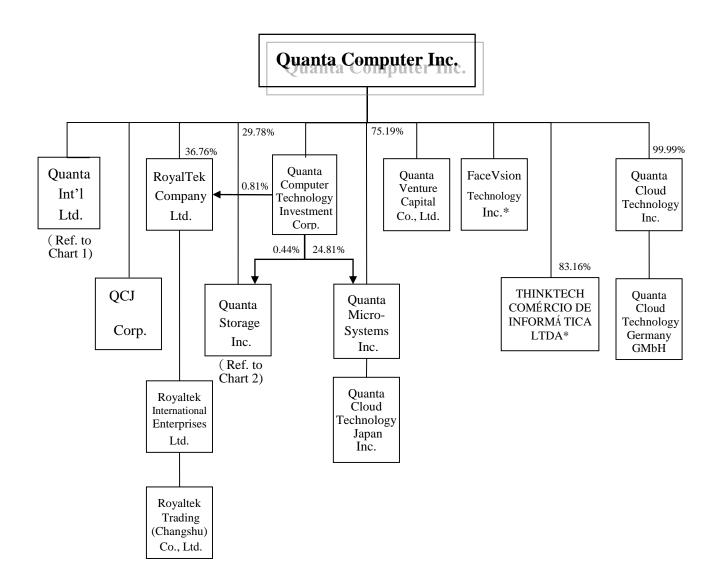
#### 7. Other Material Information

N.A.

# **VIII. Special Disclosure**

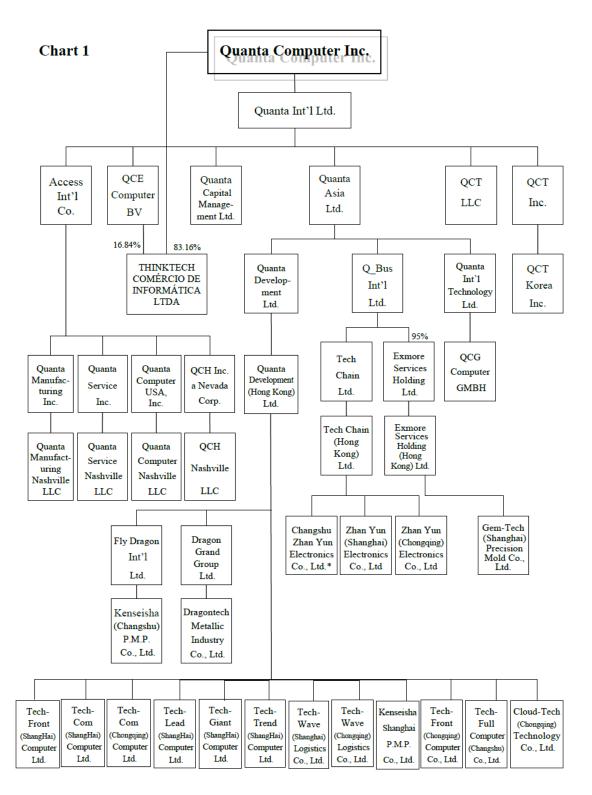
# 1. Summary of Affiliated Companies

(1) Organization Chart



<sup>\*</sup> Note 1: Ownership is 100% unless otherwise specified.

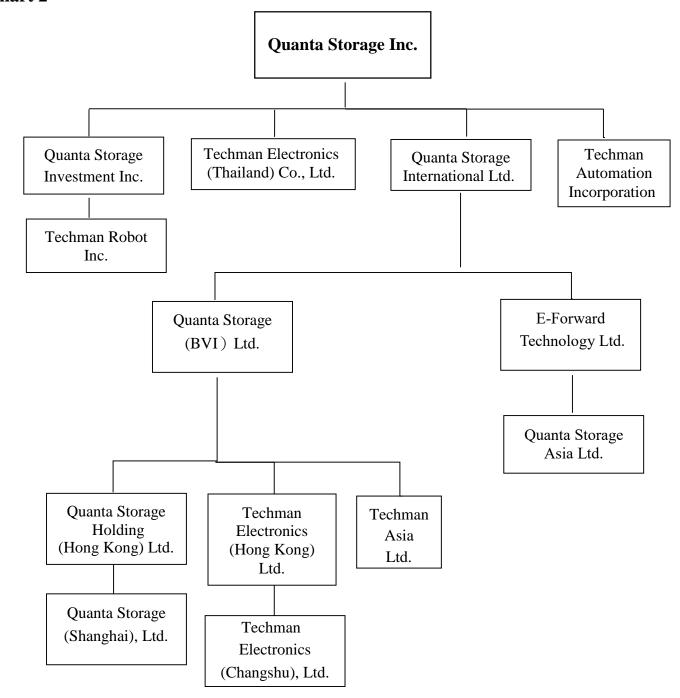
<sup>\*</sup> Note 2: FaceVsion Technology Inc. filed for liquidation on March, 2019



<sup>\*</sup> Note: ownership is 100% unless otherwise specified.

<sup>\*</sup> Note 2: Changshu Zhan Yun Electronics Co., Ltd. filed for liquidation on March, 2018.

Chart 2



<sup>\*</sup> Note: Ownership is 100% unless otherwise specified

# (2) Summary of Affiliated Companies

Unit: NT\$ thousand

				Unit: NT\$ thousand
Name of Affiliated	Date of	Address	Paid-In	Principal Activity
Company	Establishment		Capital	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	12/07/1999	10F., No.76, Bo'ai Rd.,	NT\$	Venture Capital
Co., Ltd.		Zhongzheng Dist., Taipei City,	1,000,000	
Quanta Computer Technology Investment Corp.	01/12/2005	Taiwan	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		Wholesale 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	Manufacture, after-sales service and sale of computers and telecommunication products
QCE Computer B.V. (QCE)	11/27/1998	Looskade 20, Roermond 6041 LE, Netherlands		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	US\$ 661,586	Investment company and after-sales services
Quanta Capital Management Ltd. (QCML)	04/17/2001	Virgin Islands	US\$ 5,042	Investment Company
Quanta Manufacturing Inc. (QMI)	12/18/1998	45630 Northport Loop East, Fremont, CA94538, 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	Virgin islanus	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, TN37086, 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	7,670	Assembly and processing of computers and peripherals
Tech Chain Ltd. (TCL)	09/24/2001	OMC Chambers, Wickhams Cay  1, Road Town, Tortola, British	US\$	233,900	Holding Company
Exmore Services Holding Ltd. (EXM)	01/18/2001	Virgin Islands	US\$	10,000	Holding Company
Quanta Development (Hong Kong) Ltd. (QDLHK)	11/07/2007	1004 AXA 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\$		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 Bidg. 97, Uisadang-daero, Yeongdeungpo- gu, Seoul, 07327, South Korea	KRW		Sale of computers and Peripherals
Quanta Cloud Technology Germany GmbH	08/09/2016	Hamborner Str. 55, 40472 Düsseldorf, Germany	EUR	4,000	Sale of computer Peripherals

(QCTG)					
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
Zhan Yun (Chongqing) Electronics Co., Ltd	08/04/2011	No1, Jujin Avenue, Biquan Street, Bishan District, Chongqing City, China	US\$	115,000	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	US\$	48,000	Processing, manufacture and sale of computers
Tech-Wave(Chongqing) Logistics Co., Ltd.	07/19/2011	City, China	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,	US\$		Investment company and
,	00, 00, 000	Albert Lake Drive, The Valley,		25,200	trading company
		Anguilla, British West Indies			
Dragon Grand Group	03/20/2002	Vistra Corporate Services Centre,	US\$		Investment company and
Ltd.		Ground Floor NPF Building, Beach		8,200	trading company
		Road, Apia, Samoa			
Kenseisha (Changshu)	01/12/2007	No. 15, Jinzhou Road, High-Tech	US\$		Manufacture and sale of
P.M.P Co., Ltd.		industrial park Changshu		25,000	machine cases, molds and
		Economic Development Zone,			tools
		Changshu City, Jiangsu Province,			
		China			
Dragontech Metallic	08/01/2002	No. 5-6, Alley 8, Sanzhuang	US\$		Manufacture and sale of
Industry Co., Ltd.		Road, SongJiang Export		7,200	computers and peripherals
		Processing Zone, Shanghai City,			
	2 - /2 2 /2 2 - 2	China	4		
Royaltek International	04/29/2010	Datec House, Ground Floor,	US\$	4 077	Investment Company
Eenterprises Ltd.		Thonas Trood Street,		1,277	
(RTKI)		Fugalei, Apia,			
Davaltak Tradina	09/27/2010	Samoa	DMD		Import and avecet
Royaltek Trading (Changshu) Co., Ltd.	08/27/2010	No.9, Jinzhou Road, High-Tech Industrial Park, Changshu	RMB	8,000	Import and export business and wholesale
(Changshu) Co., Ltu.		Economic Development Zone,		8,000	of electronic products
		Changshu City, Jiangsu Province,			or electronic products
		China			
Quanta Storage	08/17/2004	2F, No. 188, Wenhua 2nd Rd.,	NT\$		Investment Company
Investment Inc.	00,17,2004	Guishan Dist., Taoyuan City,	1117	500,000	investment company
investment mo.		Taiwan		300,000	
Techman Robot Inc.	09/18/2005	4F, No. 188, Wenhua 2nd Rd.,	NT\$		Manufacture and sale of
	, ,	Guishan Dist., Taoyuan City,		200,000	industrial collaborative
		Taiwan			robots
Quanta Storage	07/10/2001	Huntlaw Building, P.O. Box 2804,	US\$		Investment Company
International		George Town, Grand Cayman,		93,820	
Ltd.		Cayman Island			
(QSI(Cayman))					
Quanta Storage (BVI)	07/23/2001	P.O. Box 3152, Road Town,	US\$		Investment Company
Ltd.		Tortola, British Virgin Islands		69,520	
(QSL(BVI))					
E-Forward	08/08/2000	Offshore Chambers, P.O. Box	US\$		Manufacture and sale of
Technology Ltd.		217, Apia, Samoa		6,000	computer storage device and
(E-Forward)	/ /		4		peripherals
Quanta Storage	05/07/2003		US\$		Sale and after-sales
Asia Ltd.				1,000	service of computer
					storage device and
<del>-</del>	22/22/2225				peripherals
Techman Asia	03/09/2005		US\$	1 000	Sale and after-sales
Limited				1,000	service of computer
					storage device and peripherals
Quanta Storage	11/07/2007	1004 AXA Centre, 151	US\$		Investment Company
Holding (Hong Kong)	11/0//200/	Gloucester Road, WAN Chai,	ردن	37,699	mivestinent company
Ltd.		Hong Kong		31,033	
(QHH)		TIONS NONS			
Techman Electronics	11/07/2007	1	US\$		Investment Company
(Hong Kong) Ltd.	,,,			37,787	ssts sompany
	<u> </u>		<del></del>	2.,.0,	<u> </u>

		•		
Quanta Storage	11/29/2001	No. 6, Alley 66, Sanzhuang Rd.,	US\$	Manufacture and sale of
(Shanghai), Ltd.		Songjiang Export Processing	30,000	computer storage device
		Zone, Shanghai City, China		and peripherals
Techman Electronics	01/21/2009	No.66, Dalian Road, High-Tech	US\$	Sale and after-sales
(Changshu), Ltd.		Industrial Park, Changshu	28,000	service of computer
		Economic Development Zone,		storage device and
		Changshu City, Jiangsu Province,		peripherals
		China		
Techman Electronics	06/02/2017	40/10-12 Moo 5, Rojana	THB\$	Manufacture and sale of
(Thailand) Co.,Ltd.		Industrial Park, Tambol U-Thai,	600,000	computer storage devices
		Amphur U-Thai, Ayudhaya		and peripherals
		Province 13210		
Techman Automation	08/10/2018	1F, No. 188, Wenhua 2nd Rd.,	NT\$	Factory automation
		Guishan Dist., Taoyuan City,	5,000	planning, installation and
Incorporation (TAI)		Taiwan		implementation

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

(4) Principle Activities of Affiliated companies:

Type of	Name of Affiliated Company	Principle Activities
Business		
Investment	Quanta Venture Capital Co., Ltd.	Long-term investment palnning and seek opportunities for
		strategic partnership
	Quanta Computer Technology Investment	Strategic Investment
	Corp.	
	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 maintanence, 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	
	Quanta Storage Investment Inc.	Investment holding company for Quanta Storage Inc.
	Quanta Storage International Ltd.	Investment company for Quanta Storage Inc. – indirect
	Quanta Storage (BVI) Ltd.	investment in mainland China and Asia
	Quanta Storage Holding (Hong Kong) Ltd.	
	Techman Electronics (Hong Kong) Ltd.	
	Royaltek International Enterprises Ltd.	Investment company for RTK – indirect investment in mainland China
	Quanta Storage Inc.	Design and manufacture of optical products
ng for	Quanta Manufacturing Inc.	Overseas assembly site
	Quanta Manufacturing Nashville LLC	

Type of Business	Name of Affiliated Company	Principle Activities
electronic	QCG Computer GMBH	
products	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.	
	Zhan Yun (Chongqing) Electronics Co., Ltd.	
	Kenseisha Shanghai P.M.P. Co., Ltd.	
	Tech-Front (ShangHai) Computer Inc.	Manufacturing and production of electronic products.
	Tech-Com (ShangHai) Computer Ltd.	
	Tech-Giant (ShangHai) Computer Ltd.	Manufacturing and production of electronic products.
	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.	
	E-Forward Technology Ltd.	Indirect investment company for Quanta Storage Inc. –
	Quanta Storage (Shanghai), Ltd.	manufacturing and production of electronic products
	Techman Electronics (Changshu), Ltd.	
	Techman Robot Inc.	
	Techman Automation Incproation	
	Techman Electronics (Thailand) Co., Ltd.	
Technical	QCJ Corp.	To provide nearby after-sales services and repair for
service for	QCE Computer B.V.	customers
electronic	Quanta Service Inc.	
products	Quanta Service Nashville LLC	
	Quanta Computer USA, Inc.	
	Quanta Computer Nashville LLC	
	Tech-Trend (ShangHai) Computer Ltd.	
	Tech-Lead (ShangHai) Computer Ltd.	
Trade and	QCH Inc., a Nevada Corp.	Sales of the Company's products in U.S.
sales of	QCH Nashville LLC	' ' '
electrlnoc	QCT LLC	
products	QCT Korea Inc.	Wholesale of electronic components, perripherals, and
	Quanta Cloud Technology Inc.	communication equipments
	Cloud-Tech (Chongqing) Technology Co.,	
	Ltd.	
	THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	
	Quanta Cloud Technology Japan Inc.	
	Quanta Cloud Technology Germany GmbH	
	Quanta Storago Asia Ltd	Investment Company for Quanta Starges Inc., tiede and
	Quanta Storage Asia Ltd.	Investment Company for Quanta Storage Inc. – trade and
	Techman Asia Limited	sales of electronic products
	Royaltek Trading (Changshu) Co., Ltd.	Investment company for RTK – import, export and wholesales of electronic products
Logistics	Tech-Wave (Shanghai) Logistics Co., Ltd.	Logistics management and related businesses

## (5) Directors and Presidents for Affiliated Companies:

Name of Affiliates	Title	Name or Representative	Share hol	_
Traine or Allinates	11110	name of nepresentative	Shares	%
Quanta Storage Inc.		Quanta Computer Inc.	82,882	29.78%
	CI.	Representatives:		
	Chairman	Barry Lam	7	-
	Director	C.C. Leung	-	-
		C.T. Huang	- 1 217	2 470/
		Shih-Wei Investment Inc.	1,317	0.47%
	D:	Representative:	4.442	0.440/
	Director & President	Shi-Chi Ho	1,143	0.41%
	Director & EVP	Chia-Feng Chang	744	0.27%
	Independent Director	Kuan-Shen Wang	-	-
		Tian-Shiang Yang	-	-
	Supervisor	Ching-Yi Chang	-	-
		Yu-Ping Wen	-	-
		Jade Investment Inc.	2,100	0.75%
Quanta Venture		Quanta Computer Inc.	100,000	100.00%
Capital Co., Ltd.		Representatives:		
	Chairman	Barry Lam	-	-
	Director & President	C.C. Leung	-	-
	Director	Tim Li	-	-
		Quanta Computer Inc.	100,000	100.00%
		Representative:		
	Supervisor	C.T. Huang	-	-
Quanta Computer		Quanta Computer Inc.	60,000	100.00%
Technology		Representatives:		
Investment Corp.	Chairman	Barry Lam	-	-
	Director	C.C. Leung	-	-
		C.T. Huang	-	-
		Quanta Computer Inc.	60,000	100.00%
		Representative:		
	Supervisor	Tim Li	-	-
Quanta Micro-		Quanta Computer Inc.	17,500	75.19%
Systems Inc.		Representatives:		
	Chairman	C.C. Leung	-	-
	Director	Barry Lam	-	-
		Tim Li	-	-
	Supervisor	Shu-Min Tai	-	-
RoyalTek	Chairman	Jin-Hau Su	46	0.09%
Company Ltd.		Quanta Computer Inc.	18,604	36.76%
. ,		Representatives:		
	Director	C.C. Leung	-	-
		Elton Yang	-	-
		Sophie Chen	-	-
	Independent Director	Li-Wei Shen	-	-
		Yu Hsin Lee	-	-
		B.K. Chen	-	-
Quanta Cloud		Quanta Computer Inc.	28,199	99.99%
Technology Inc.		Representatives:		
J.	Chairman	Barry Lam	_	-
	Director	C.C. Leung	_	-
	Director & President	Mike Yang	_	-

Name of Affiliates	Title	Name or Representative	Share ho	_
		rume of nepresentative	Shares	%
	Supervisor	Shu-Min Tai	-	-
Quanta International	опред несе	Quanta Computer Inc.	72,484	100.00%
Limited (QIL)		Representative:	, -	
( , ,	Director	Barry Lam	-	-
QCJ Corp.		Quanta Computer Inc.	200	100.00%
•		Representatives:		
	Chairman	Jimmy Chin	-	-
	Director	C.C. Leung	-	-
		Tim Li	-	-
		Quanta Computer Inc.	200	100.00%
		Representative:		
	Supervisor	Angela Tsai	-	-
QCE Computer B.V.		QIL	4,918	100.00%
(QCE)		Representative:		
	Director	Elton Yang	-	-
Access International		QIL	6,280	100.00%
Company		Representatives:		
(AIC)	Chairman	Barry Lam	-	-
	Director	C.C. Leung	-	-
	Director & President	Alan Pak-Lin Lam	-	-
Quanta Asia Ltd.		QIL	661,586	100.00%
(QAL)		Representative:		
	Director	Barry Lam	-	-
Quanta Capital		QIL	5,042	100.00%
Management Ltd.		Representatives:		
(QCML)	Director	Barry Lam	-	-
		C.C. Leung	-	-
Quanta		AIC	1,357	100.00%
Manufacturing Inc.		Representatives:		
(QMI)	Chairman	C.C. Leung	-	-
	Director	Barry Lam	-	-
	Director & President	Alan Pak-Lin Lam	-	-
Quanta Service Inc.		AIC	417	100.00%
(QSI-USA)		Representatives:		
	Chairman	C.C. Leung	-	-
	Director	Barry Lam	-	-
	Director & President	Alan Pak-Lin Lam	-	-
Quanta Computer		AIC	10,737	100.00%
USA, Inc. (QCA)		Representatives:		
	Chairman	Barry Lam	-	-
	Director	C.C. Leung	-	-
	Director & President	Alan Pak-Lin Lam	-	-
QCH Inc.,		AIC	1,000	100.00%
a Nevada Corp.		Representatives:		
(QCH)	Chairman	Barry Lam	-	-
	Director	Alan Pak-Lin Lam	-	-
	Director & President	C.C. Leung	-	-
Quanta Development		QAL	514,289	100.00%
Ltd.		Representative:		
(QDL)	Director	C.C. Leung	-	-
Quanta International		QAL	4,962	100.00%
Technology Ltd.		Representative:		
(QIT)	Director	C.C. Leung	-	-

Name of Affiliates	Title	Name or Representative	Share holding (thousand shares)	
Nume of Annates	Title	realite of Representative	Shares	%
Q_Bus		QAL	267,424	100.00%
Q_виз International Ltd.		Representative:	207,424	100.00%
	Director			
(Q_Bus)	Director	C.C. Leung	- (n ata)	100.000/
Quanta		QMI	(note)	100.00%
Manufacturing		Representatives:		
Nashville LLC	Chairman	C.C. Leung	-	-
(QMN)	President	Mike Dunne	-	-
Quanta Service		QSI-USA	(note)	100.00%
Nashville LLC		Representatives:		
(QSN)	Chairman	C.C. Leung	-	-
	President	Mike Dunne	-	-
Quanta Computer		QCA	(note)	100.00%
Nashville LLC		Representatives:	(11000)	
(QCN)	Chairman	C.C. Leung	_	_
(QCIV)	President	Mike Dunne		_
QCH Nashville LLC	Fresident		/10.04.0.\	100.00%
		QCH	(note)	100.00%
(QCHN)		Representatives:		
	Chairman	C.C. Leung	-	-
	President	Mike Dunne	-	-
QCG Computer		QIT	(note)	100.00%
GMBH (QCG)		Representatives:		
	Chairman	C.C. Leung	-	-
	Managing Director	Mike Yang	_	_
Tech Chain Ltd.		Q_Bus	233,900	100.00%
reen enam Eta.		Representative:	255,500	100.0070
	Director			
F 6 :	Director	C.C. Leung	0.500	
Exmore Services		Q_Bus	9,500	95.00%
Holding Ltd. (EXM)		Representative:		
	Director	C.C. Leung	-	-
Quanta Development		QDL	60,194,801	100.00%
(Hong Kong) Ltd.		Representative:		
(QDLHK)	Director	C.C. Leung	-	-
Tech Chain		Tech Chain Ltd.	24,421,201	100.00%
(Hong Kong) Ltd.		Representative:		
(TCLHK)	Director	C.C. Leung	_	_
Exmore Services	D.I. COCO.	EXM	1,428,156	100.00%
Holding		Representative:	1,428,130	100.00%
_	Diagram and a second			
(Hong Kong) Ltd.	Director	C.C. Leung	-	-
(EXMHK)				
THINKTECH		QCE	19,218	16.84%
COMÉRCIO DE		Representatives:		
INFORMÁTICA LTDA	Director	Maria Fernanda	-	-
		Pécora Gedeon	-	-
QCT LLC		QIL	(note)	100.00%
		Representatives:	' ' '	
	Director	Alan Pak-Lin Lam		_
	President	Mike Yang	_	_
QCT Inc.	resident	_	(note)	100.00%
QCI IIIC.		QIL	(note)	100.00%
		Representative:		
	Director & President	Barry Lam	-	-
QCT Korea Inc.		QCT Inc.	(note)	100.00%
		Representative:		
	Director & President	Mike Yang	-	_

Name of Affiliates	Title	Name or Representative	Share ho	
Name of Amiliates	Title	wante of Representative	Shares	%
Quanta Cloud		Quanta Cloud Technology Inc.	(note)	100.00%
Technology Germany		Representatives:	(11010)	100.0070
GmbH	Chairman	C.C. Leung	_	_
(QCTG)	Managing Director	Mike Yang	_	_
Tech-Front		QDLHK	(note)	100.00%
(Shanghai) Computer		Representatives:	(,	200.0070
Inc.	Chairman	C.T. Huang	_	_
	Director	Elton Yang	_	_
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:	, ,	
	Supervisor	Shu-Min Tai	-	-
Tech-Com (Shanghai)	·	QDLHK	(note)	100.00%
Computer Ltd.		Representatives:		
•	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:		
	Supervisor	Shu-Min Tai	-	-
Tech-Wave	·	QDLHK	(note)	100.00%
(Shanghai) Logistics		Representatives:	, ,	
Co., Ltd.	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
	Supervisor	Representative:	, ,	
		Shu-Min Tai	-	-
Tech-Lead (Shanghai)		QDLHK	(note)	100.00%
Computer Ltd.		Representatives:		
	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:		
	Supervisor	Shu-Min Tai	-	-
Tech-Giant		QDLHK	(note)	100.00%
(Shanghai) Computer		Representatives:		
Ltd.	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:		
	Supervisor	Shu-Min Tai	-	-
Tech-Trend		QDLHK	(note)	100.00%
(Shanghai) Computer		Representatives:		
Ltd.	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:		
	Supervisor	Shu-Min Tai	-	-

			Share ho	
Name of Affiliates	Title	Name or Representative	(thousand	•
1 (2)			Shares	%
Gem-Tech (Shanghai)		EXMHK	(note)	100.00%
Precision Mold Co.,		Representatives:		
Ltd.	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li		400.000/
		EXMHK	(note)	100.00%
	C	Representative:		
T   E    C	Supervisor	Shu-Min Tai		400.000/
Tech-Full Computer		QDLHK	(note)	100.00%
(Changshu) Co., Ltd.		Representatives:		
	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-
		QDLHK	(note)	100.00%
		Representative:		
	Supervisor	Angela Tsai	-	-
Zhan Yun (Shanghai)		TCLHK	(note)	100.00%
Electronics Co., Ltd.		Representatives:		
	Chairman	C.T. Huang	-	-
	Director	Tim Li	-	-
	Director & President	Simon Yang	-	-
		TCLHK	(note)	100.00%
		Representative:		
	Supervisor	Shu-Min Tai	-	-
Zhan Yun (Chongqing)		TCLHK	(note)	100.00%
Electronics Co., Ltd.		Representatives:		
	Chairman	C.T. Huang	-	-
	Director	Tim Li	-	-
	Director & President	Simon Yang	-	-
		TCLHK	(note)	100.00%
	Supervisor	Representative:		
		Shu-Min Tai	-	-
Kenseisha Shanghai		QDLHK	(note)	100.00%
P.M.P. Co., Ltd.		Representatives:	` '	
,	Chairman & President	C.S. Yang	_	-
	Director	Elton Yang	_	_
		Tim Li	_	_
		QDLHK	(note)	100.00%
		Representative:	(,	
	Supervisor	Shu-Min Tai	_	_
Tech-Front		QDLHK	(note)	100.00%
(Chongqing)		Representatives:	(11010)	100.0070
Computer Co., Ltd.	Chairman	C.T. Huang		_
Computer Co., Ltd.	Director	Elton Yang		
	Director & President	Tim Li		
	Director & Fresident	QDLHK	(noto)	100.00%
			(note)	100.00%
	Suponisor	Representative:		
Took Maria	Supervisor	Shu-Min Tai	\	100.000/
Tech-Wave		QDLHK	(note)	100.00%
(Chongqing) Logistics		Representatives:		
Co., Ltd.	Chairman	C.T. Huang	-	-
	Director	Elton Yang	-	-
	Director & President	Tim Li	-	-

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

Name of Affiliates	Title	Name or Penracentative	Share holding (thousand shares)		
Name of Amiliates	Title	Name or Representative			
David Tali Tradina		DTI	Shares	% 100.00%	
RoyalTek Trading (Changshu) Co.,Ltd.		RTKI	(note)	100.00%	
(Changshu) Co.,Ltu.	Chairman	Representatives: Jin-Hau Su			
	Director	Jen-Te Tseng	-	-	
	Director	_	-	-	
		Tim Kuo RTKI	/nota)	100.00%	
			(note)	100.00%	
	Cuponicon	Representative:			
O	Supervisor	Kai-Lun Huang	-	100.000/	
Quanta Storage		Quanta Storage Inc.	50,000	100.00%	
Investment Inc. (QSII)	Chairman	Representatives:			
	Chairman	Shi-Chi Ho	-	-	
	Director	Chia-Feng Chang	-	-	
		Shang-Hao Chen	-	400.000/	
		Quanta Storage Inc.	50,000	100.00%	
	C	Representative:			
<del>-</del>	Supervisor	Chih-Jen Lee		-	
Techman Robot Inc.		QSII	25,000	100.00%	
		Representatives:			
	Chairman	Shi-Chi Ho	-	-	
	Director	Chia-Feng Chang	-	-	
		Shang-Hao Chen	-	-	
		QSII	2,500	100.00%	
		Representative:			
	Supervisor	Chih-Jen Lee	-	-	
Quanta Storage		Quanta Storage Inc.	(note)	100.00%	
International Ltd.		Representative:			
(QSI(Cayman))	Chairman	Barry Lam	-	-	
Quanta Storage (BVI)		QSI(Cayman)	(note)	100.00%	
Ltd.		Representative:			
(QSL(BVI))	Chairman	Barry Lam	-	-	
E-Forward		QSI(Cayman)	(note)	100.00%	
Technology Ltd.		Representative:			
(E-Forward)	Chairman	Barry Lam	-	-	
Quanta Storage Asia		E-Forward	(note)	100.00%	
Ltd.		Representative:			
Ltu.	Director	Shi-Chi Ho	-	-	
		QSL(BVI)	(note)	100.00%	
Techman Asia Ltd.		Representative:			
	Chairman	Chia-Feng Chang	-	-	
Quanta Storage		QSL(BVI)	(note)	100.00%	
Holding (Hong Kong)		Representative:			
Ltd.	Director	Shi-Chi Ho	-	-	
(QHH)					
		QSL(BVI)	(note)	100.00%	
Techman Electronics		Representative:	` '		
(Hong Kong) Ltd.	Director	Shang-Hao Chen	_	_	
Quanta Storage		QHH	(note)	100.00%	
(Shanghai), Ltd.		Representatives:	(555)		
(- ::::-O:::::// ==0.1	Chairman	C.T. Huang	_	_	
	Director	Shi-Chi Ho		_	
		Chia-Feng Chang		_	
		Chia-Feng Chang	-		

			Share holding		
Name of Affiliates	Title	Name or Representative	(thousand shares)		
			Shares	%	
Techman Electronics		Techman Electronics (Hong Kong)	(note)	100.00%	
(Changshu), Ltd.		Ltd.			
		Representatives:	-	-	
	Chairman	Shi-Chi Ho	-	-	
	Director	Chia-Feng Chang	-	-	
		Shang-Hao Chen			
Techman Electronics		Quanta Storage Inc.	(note)	100.00%	
(Thailand) Co., Ltd.		Representatives:			
	Director	Shi-Chi Ho	-	-	
		Chia-Feng Chang	-	-	
		Chih-Jen Lee	-	-	
Techman Automation		Quanta Storage Inc.	500	100.00%	
Incproation		Representatives:			
	Director	Shi-Chi Ho	-	-	
		Chia-Feng Chang	-	-	
		-	-		

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	15,877,261	7,858,045	8,019,216	7,090,384	178,487	368,560	1.32
Quanta International Ltd.& Subsidiaries	23,077,278	673,864,748	646,014,432	27,850,316	1,225,382,289	1,755,123	521,632	-
QCJ Corp.	3,115	2,670	98	2,572	4,031	36	12	-
Quanta Venture Capital Co., Ltd.	1,000,000	964,492	749	963,743	-	(390)	(25,553)	(0.26)
Quanta Computer Technology Investment Corp.	600,000	685,756	143	685,613	-	(3,923)	33,876	0.56
FaceVsion Technology Inc.	84,500	2,675	0	2,675	-	(129)	(296)	(0.04)
RoyalTek Company Ltd. & Subsidiaries	506,077	1,488,628	241,923	1,246,705	1,166,616	(39,341)	5,043	0.10
Quanta Micro-Systems Inc.	232,750	2,062,343	1,562,410	499,933	3,353,678	11,741	8,761	0.38
Quanta Cloud Technology Inc. & Subsidiaries	282,000	238,680	276,642	(37,962)	357,875	(64,097)	(54,580)	(1.94)
THINKTECH COMÉRCIO DE INFORMÁTICA LTDA	1,011,884	20,031	116,149	(96,118)	-	(11,269)	(27,867)	-

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

The Company has not issued private placement securities in FY2018 and as of the date of this report's publication

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

Name of	Paid-in	Source	Percentage	Transaction	Shares/	Shares/	Investment	Balance of	Balance	Balance of	Balance of
Subsidiary	Capital	of	owned by	Date	Amount	Amount	Income	Shares/Amount	of	Guarantee	Financing
,		Funding	the	(note 1)	Acquired	Disposed	(Loss)	(note 2)	Pledged	Provided	Provided
			Company	(		-10,0000	(====)	(	Shares	by the	by the
			. ,							Company	Company
RoyalTek	506,077,000	Shares	36.76%	-	-	-	-	8,179,000 shares	NA	-	-
Company Ltd.		Exchange						\$427,338,000			

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 FY2018 and as of the date of this report's publication that had material impact on Shareholders' right or stock price as stated in item 2 paragraph 2 of Article 36 of SEC