V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

1. F219010 Electronic materials retail sales
2. F113070 Wholesale of Telecom Instruments
3. F119010 Electronic materials wholesale trading
4. CC01050 Data storage and processing equipment manufacturing
5. CC01070 Wireless communication machinery and equipment manufacturing
6. CC01080 Electronic parts and components manufacturing
7. F213060 Retail Sale of Telecom Instruments
8. ZZ99999 In addition to licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law.

B. Revenue distribution

<table>
<thead>
<tr>
<th>Products</th>
<th>2018</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF Front-End devices and modules</td>
<td>1,738,584</td>
<td>96.36%</td>
</tr>
<tr>
<td>Others</td>
<td>65,724</td>
<td>3.64%</td>
</tr>
<tr>
<td>Total</td>
<td>1,804,308</td>
<td>100%</td>
</tr>
</tbody>
</table>

C. Main products

RF Front-End devices and modules, including
1. Filter
2. Balun
3. Balanced Filter
4. Diaplexer
5. Triplexer
6. Coupler
7. Antenna
8. Antenna Module
9. Bluetooth Module
10. Front-end Module
11. Antenna Switch Module
12. RF Chip Ceramic Device, including passive inductors and capacitor etc.

5.1.2 Industry Overview

A. Current Status and Development of the Industry

With the trend of telecommunication liberalization and the rapid development of mobile communication technology, the growth of related terminal products and communication equipment has further driven the demand for wireless communication. Wireless communication terminal applications such as mobile phones, wireless local area networks (WLAN), Bluetooth, global positioning systems (GPS), wireless PCs, wireless phones, walkie-talkies, pagers, home wireless (Home RF), digital broadcasting, wireless data machines, wireless fax machines, and emerging Internet of Things (IoT) and wearable applications, and more. Due to the rapid increase in the demand for wireless communication applications in the global market, the frequency band of wireless communication has risen sharply, and due to the trend of miniaturization, multi-function and high transmission speed of wireless portable products, this has triggered the market for high-frequency integrated components and the high demand for the modules.
Although the system is becoming more and more complex, the number of internal components actually used in various communication systems is increasingly integrated, which is mainly due to the integration of the lines. As for the integration of passive components, the goal is toward system-level packaging (System in a Package: SiP) or System on a Chip (SoC) development. Since the wireless communication applications built into the terminal products are the mainstream of future development, modularization will also become the future development trend of communication components, and the high-performance component modularization needs to utilize high-density packaging processes to the communication market. From the perspective of the supply chain, manufacturers with SiP high-density system architecture technology can provide upstream and downstream integrated services, and will become an active partner of chip design and terminal product companies in the future.

In recent years, mobile phones, GPS, WLAN, and Bluetooth, which have grown dramatically in wireless communication applications, have different functions, features, or markets, but the same is high-density circuits, miniaturization, high-frequency for required components, that are highly integrated and modular. The high-frequency integrated components and modules and high-frequency chip ceramic components operated by the company are used in the wireless communication market. The Company is the first design and manufacturing company in Taiwan that focuses on RF integrated components and modules. The developed products are in line with market expectations and the integrated terminal applications have high growth momentum. The company has the highest growth and development in the domestic key component industry of RF communication.

B. The Interconnectivity of Upstream, Midstream, and Downstream Entities in the Industry

High-frequency integrated components and modules and high-frequency wafer ceramic components in the upstream raw material industry, and they mainly include ceramic powder, conductive ink and dielectric materials. The main process equipment includes laser drilling machine, end silver machine, continuous furnace, wire Machines, external inspection machines, RF testers and network analyzers. The downstream industries include the wireless communication industry, vehicle electronic systems and the aerospace communication industry. They are closely related to the supply and demand of the upstream, midstream and downstream industries. The relevant maps of the upstream, middle and downstream industries are listed as follows:
C. Product Trends and Competition

The multi-functionalization and miniaturization of wireless communication products have become a market trend, and the development of wireless communication components will be in the direction of high frequency, miniaturization and modularization.

In recent years, wireless communications in Taiwan have flourished, and mainstream applications such as mobile phones, wireless local area networks (WLANs), global positioning systems (GPS) or Bluetooth have shown rapid growth. However, compared with international manufacturers, the development of wireless communication components and modular technology in Taiwan is still weak. At present, global integrated component manufacturers are headed by Japan, the United States and Europe, such as Murata, Kyocera, TDK, etc. in Japan; CTS in the US and Bosch, CMAC and other large manufacturers in Europe. In contrast, due to late start, the relative output of domestic manufacturers in the global market share is still very low.

As wireless communication applications will be at the heart of future market growth, the company is actively developing forward-looking and innovative high-frequency components and modular cutting-edge technologies to capture the opportunities for future wireless communications growth.

5.1.3 Technology and R&D Status

A. R&D Expenses

In 2018, the Company invested NT$104,174 thousand in R&D.

B. Successful R&D and Technologies Development

(a) Research and development

As the company's R&D team has deep academic foundations and product development experience in RF communications and materials engineering, it can grasp the market pulse in both technical development and commercial applications. In terms of research and development, the integration of RF components and modular technology are two key directions. The main R&D projects can be roughly divided into technical analysis, new product development, process improvement, material formulation and quality analysis.
## Technology or product that has been successfully developed in recent years

<table>
<thead>
<tr>
<th>Year</th>
<th>Successful development of technologies or products</th>
</tr>
</thead>
</table>
| 2018 | 1. DC power transfer module with package size of 3.2mmx2.5mm for IoT system  
2. Dual band antenna with package size of 15mmx4.0mm for wireless communication system  
3. Bandpass filter with low profile package size of 0.9mmx0.7mm for 2.4GHz communication system  
4. DC power transfer module with package size of 5.0mmx5.0mm for IoT system  
5. Balanced antenna switch transceiver module with package size of 3.0mmx3.0mm for NB-IoT dual band system  
6. Bandpass filter with package size of 1.6mmx0.8mm for 2.0GHz communication system  
7. High rejection bandpass filter with package size of 3.2mmx2.5mm for 5.2GHz communication system  
8. NFC Antenna with package size of 3.2mmx1.6mm  
9. Dual-band balun with package size of 2.0mmx1.25mm for 900MHz/2400MHz communication system  
10. Bandpass filter with package size of 1.6mmx0.8mm for 3.8GHz communication system  
11. Lowpass filter with package size of 3.2mmx2.5mm for 700MHz communication system  
12. Bandpass filter with package size of 1.6mmx0.8mm for 4.7GHz communication system  
13. Balun filter with package size of 3.2mmx2.5mm for 4.9GHz communication system  
14. Bandpass filter with package size of 1.6mmx0.8mm for 5.4GHz communication system  
15. Diplexer with package size of 1.6mmx0.8mm for LTE communication system  
16. Bandpass filter with package size of 1.6mmx0.8mm for 0.8GHz communication system  
17. High isolation diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system  
18. Bandpass filter with package size of 1.6mmx0.8mm for 5.5GHz communication system  
19. Balun filter with package size of 3.2mmx2.5mm for LNB 2.0GHz communication system  
20. Low profile lowpass filter with package size of 0.9mmx0.7mm for 2.4GHz communication system  
21. Bandpass filter with package size of 1.6mmx0.8mm for 5G communication system  
22. Duplexer with package size of 2.5mmx2.0mm for 1.7GHz/4.6GHz communication system  
23. Balun filter with package size of 1.0mmx0.5mm for LTE communication system  
24. Bandpass filter with package size of 2.0mmx1.25mm for 7.4GHz communication system  
25. Diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system  
26. Lowpass filter with package size of 1.0mmx0.5mm for 800MHz communication system  
27. Bandpass filter with package size of 2.0mmx1.25mm for 5.5GHz communication system  
28. Bandpass filter with package size of 3.2mmx1.6mm for 2.0GHz communication system  
29. Bandpass filter with package size of 3.2mmx2.5mm for 4.9GHz communication system  
30. High rejection bandpass filter with package size of 3.2mmx2.5mm for 5.6GHz communication system  
31. High rejection bandpass filter with package size of 4.5mmx3.2mm for 5.9GHz communication system  
32. 1:1 balun diplexer with package size of 2.0mmx1.25mm for 400MHz communication system  
33. Lowpass filter with package size of 1.0mmx0.5mm for 2.4GHz communication system  
34. Diplexer with package size of 2.0mmx1.25mm for 0.8GHz/2.1GHz communication system  
35. 1:4 balun diplexer with package size of 2.0mmx1.25mm for 400MHz communication system  
36. Lowpass filter with package size of 1.0mmx0.5mm for LTE communication system  
37. Low profile coupler with package size of 1.0mmx0.5mm for 4.7GHz communication system  
38. Balanced lowpass filter with package size of 2.0mmx1.25mm for 1.3GHz communication system  
39. Diplexer with package size of 1.6mmx0.8mm for 1.2GHz/2.0GHz communication system  
40. Balun filter with package size of 1.0mmx0.5mm for 5.6GHz communication system  
41. Low loss diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system  
42. Lowpass filter with package size of 1.6mmx0.8mm for 1.9GHz communication system  
43. High rejection diplexer with package size of 1.6mmx0.8mm for WLAN dual-band communication system  
44. Balun filter with package size of 1.6mmx0.8mm for LTE communication system  
45. Diplexer with package size of 2.0mmx1.25mm for 1.3GHz/2.5GHz communication system  
46. Lowpass filter with package size of 1.6mmx0.8mm for WLAN 2.4GHz communication system  
47. Diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system  
48. Complex impedance balun filter with package size of 1.6mmx0.8mm for 2.4GHz communication system  
49. Low loss diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system  
50. Lowpass filter with package size of 1.6mmx0.8mm for WLAN 5.4GHz communication system  
51. High isolation diplexer with package size of 2.0mmx1.25mm for WLAN dual-band communication system  
52. Balun filter with package size of 3.2mmx2.5mm for LNB 1.5GHz communication system  
53. Lowpass filter with package size of 1.6mmx0.8mm for 2.2GHz communication system
(c) The current progress of the unfinished R&D plan, the need to re-invest in R&D expenses and the expected time of completion of mass production

<table>
<thead>
<tr>
<th>2018 unfinished R&amp;D plan</th>
<th>Current status</th>
<th>Expected finished time</th>
<th>Additional imputed R&amp;D expenses (NT$ thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop miniaturized integration components</td>
<td>90%</td>
<td>2019/Q3-Q4</td>
<td>8,000</td>
</tr>
<tr>
<td>Develop miniaturized multi-frequency, multi-mode integrated modules</td>
<td>75%</td>
<td>2019/Q3-Q4</td>
<td>15,000</td>
</tr>
<tr>
<td>High precision materials, process development</td>
<td>85%</td>
<td>2019/Q2-Q3</td>
<td>6,000</td>
</tr>
</tbody>
</table>

(d) Main factors for future R&D success

① Proper R&D strategy and effective mastery of product development timelines to achieve product time to market

② Good product design capability, early effective Design-in with client product design

③ Excellent and stable R&D team, enabling R&D experience to effectively accumulate and boost product development capabilities

(e) Future R&D plan and expected R&D expenses

<table>
<thead>
<tr>
<th>Future R&amp;D plan</th>
<th>For future three years R&amp;D expenses (NT$ thousand )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop miniaturized integration components</td>
<td>125,000</td>
</tr>
<tr>
<td>Develop miniaturized multi-frequency, multi-mode integrated modules</td>
<td>170,000</td>
</tr>
<tr>
<td>High precision materials, process development</td>
<td>90,000</td>
</tr>
<tr>
<td>Total</td>
<td>385,000</td>
</tr>
</tbody>
</table>

5.1.4 Long-term and Short-term Development

A. Short-term Development

(a) Develop the main products in module type

(b) Product miniaturization and multi-functionality

(c) Strengthen the demand development of China and emerging markets

B. Long-term Development

(a) Develop new products in module type

(b) System on Chip module technology development

(c) Strategic alliance cooperation model
5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales Region

<table>
<thead>
<tr>
<th>Area</th>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>Unit: NT$ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
</tr>
<tr>
<td>Domestic (Taiwan)</td>
<td>2017</td>
<td>364,937</td>
<td>18.59</td>
<td>295,487</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>295,487</td>
<td>16.38</td>
<td></td>
</tr>
<tr>
<td>Oversea Americas</td>
<td>2017</td>
<td>621,512</td>
<td>31.65</td>
<td>558,905</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>558,905</td>
<td>30.98</td>
<td></td>
</tr>
<tr>
<td>Oversea Asia</td>
<td>2017</td>
<td>964,642</td>
<td>49.13</td>
<td>936,704</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>936,704</td>
<td>51.91</td>
<td></td>
</tr>
<tr>
<td>Oversea Europe</td>
<td>2017</td>
<td>12,399</td>
<td>0.63</td>
<td>13,212</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>13,212</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2017</td>
<td>1,598,553</td>
<td>81.41</td>
<td>1,508,821</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>1,508,821</td>
<td>83.62</td>
<td></td>
</tr>
</tbody>
</table>

B. Market Share

In recent years, due to the booming wireless communication market, the low-temperature ceramic (LTCC) component industry has shown a substantial growth. According to Market Insights Reports, the global annual output value of LTCC in 2018 is about 3.22 billion US dollars, and Japan is the largest supplier in the supply chain. The market share is as high as 50%, which dominates the global LTCC product market and technology, followed by Europe and the United States. Domestic manufacturers are still relatively low in global market share due to their late start.

The company's high-frequency integrated components, modules and high-frequency chip ceramic components, including filters, balun, balanced filter, diplexers, triplexers, couplers, chip antenna, antenna modules, Bluetooth modules, RF front-end modules and antenna switch modules are commonly used in mobile phones, wireless LANs, Bluetooth and GPS. Since the company invested in the early domestic market and focuses on RF integration of components and modules, when the company's products enter the market, they will obtain domestic and foreign customers with excellent quality and competitive price in a short time, and efficient service. At present, the company is in a leading position in terms of domestic technology and market share. The company's global market share is about 2%.

C. Future Market Supply, Demand, and Growth Status

With the globalization of telecommunications and the advancement of communication technologies, wireless communication has become the most dynamic industry in the 3C industry. Looking forward to the future, mobile phone penetration and portability are excellent when the terminal products are moving toward integration. The competitive advantage is to integrate other product features, of which smartphones are typical representatives. Smartphones have more and more powerful computing and multimedia features, with Internet access, download and sharing capabilities. This requires more transport channels, higher transmission bandwidth and better transmission efficiency. Therefore, it also triggers various communication functions that mobile phones will combine now and in the future. From regional WLAN, short-range Bluetooth and ZigBee, to long-distance WiMAX, plus GPS and mobile TV capabilities, smartphones can be said to have combined voice, data, video and other versatility to create a comprehensive communications platform. IDC estimates that by 2022, global shipments are expected to exceed 1.57 billion. The expansion of global GPS navigation and location services will also be products with high growth potential in the next few years; as for emerging IoT applications, the rapid development of smart applications, such as personal wearable devices, smart home, smart manufacturing, smart health and intelligence transportation. Gantner estimates that the number of related devices in the Internet of Things will reach 20.8 billion units in 2020. It is expected that the economic benefits brought by the Internet of Things in the future will be enormous.
The RF components and modules operated by the company are essential components for wireless communication products. Communication products such as mobile phones, computers, wireless networks, global satellite positioning systems, Internet of Things and wearable devices directly affect the future development of LTCC. As the current mainstream wireless communication applications are still growing at a high speed in the next few years, emerging communication products are also moving toward multi-functional integration, and the demand for integrated components and module products produced by the company will be higher.

D. Competitive Advantage
(a) Combine four core technologies
The company has four core technologies: advanced RF circuit design, material development, process design and product testing, which are rare in the industry. With independent control of key technologies in both RF and materials, the company has the ability to deliver highly efficient custom products and services.

(b) Positioning products in line with market development
Wireless communication is the most dynamic industry in recent years, and especially mobile communication has the fastest growth rate. As the end product grows dramatically, it will directly drive the demand for our products. In addition, due to the diversified functions and miniaturization of mobile communications, the company's SiP and LTCC process development of high-frequency integrated components and modules is in line with market expectations, which will further enhance market demand, so that the company's growth prospects are full of potential.

(c) Quality product service
Combining the advantages of R&D and process, the company can provide a full range of services that are more time-sensitive, highly customized, flexible and cost-competitive compared to international peers to win customers' high trust and recognition.

E. Favorable and Unfavorable Factors in the Long Term
(a) Favorable factors
① High growth in industry
② Leading LTCC technology in domestic market
③ Domestic market first and march straight into international
④ Highly competitive full service
⑤ Growing brand and OEM model

(b) Unfavorable factors
① Wireless communication products continue to introduce new products, with short product cycles and rapid price declines, so profit margins are squeezed

Related Countermeasures:
● Shorten the development schedule of new products, commit to high-end products, and avoid mature products that are in price wars.
● Participate in product development during the customer product design phase.
● Diversify products to spread the risk of price competition for a single product.
● Enhance process improvement, increase product yield and equipment utilization, and reduce costs.
② Lack of R&D talent
Related Countermeasures:
- Actively participate in the leading new product plans of the Domestic Industrial
  Development Bureau, strive for foreign technology transfer or joint development
  opportunities, and promote R&D and technology upgrades.
- Establish a research and development knowledge management database to enable the
effective development of research and development experience and results, and
maximize the human resources efficiency of research and development.

5.2.2 Important Purpose and Production Process of the Main Products

A. Important Purpose of the Main Products

<table>
<thead>
<tr>
<th>Products</th>
<th>Important Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF Front-End devices and modules</td>
<td>MSS, Cellular Phone, Cordless Phone, Wireless LAN, HyperLAN, GPS, Bluetooth, Ultra-wideband, WiMAX, ZigBee, MIMO, Wi-Fi, Power Amplifier, Low Noise Block (LNB), Home RF, IoT and Wearable applications</td>
</tr>
</tbody>
</table>

B. Manufacturing Process

Raw material → Slurry → Tape Casting → Via Punching → Via filling → Screen Printing → Laminating → Cutting → Co-firing → Upper electrode → Burning → Electroplating → Electrical Test → Packing → Shipping

5.2.3 Supply Status of Main Materials

<table>
<thead>
<tr>
<th>Major Raw Materials</th>
<th>Source of Supply</th>
<th>Supply Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powder</td>
<td>DUPONT, HERAEUS</td>
<td>Normal</td>
</tr>
<tr>
<td>Paste</td>
<td>DUPONT, HERAEUS, SOJITZ, DAEJOO</td>
<td>Normal</td>
</tr>
</tbody>
</table>
5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2018</th>
<th>2019 (As of March 31)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company Name</td>
<td>Amount</td>
<td>Percent</td>
</tr>
<tr>
<td>1</td>
<td>a</td>
<td>32,931</td>
<td>13.61</td>
</tr>
<tr>
<td>2</td>
<td>b</td>
<td>29,463</td>
<td>12.18</td>
</tr>
<tr>
<td>3</td>
<td>c</td>
<td>29,041</td>
<td>12.01</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>d</td>
<td>25,139</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>150,450</td>
<td>62.20</td>
</tr>
<tr>
<td></td>
<td>Net Total Supplies</td>
<td>241,885</td>
<td>100.00</td>
</tr>
</tbody>
</table>

B. Major Clients in the Last Two Calendar Years

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2018</th>
<th>2019 (As of March 31)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company Name</td>
<td>Amount</td>
<td>Percent</td>
</tr>
<tr>
<td>1</td>
<td>A</td>
<td>483,241</td>
<td>24.61</td>
</tr>
<tr>
<td>2</td>
<td>Others</td>
<td>1,480,249</td>
<td>75.39</td>
</tr>
<tr>
<td>3</td>
<td>Net Sales</td>
<td>1,963,490</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Note 1: Legal director of the company
5.2.5 Production in the Last Two Years

<table>
<thead>
<tr>
<th>Major Products</th>
<th>Unit: thousand PCS; NT$ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
</tr>
<tr>
<td></td>
<td>Capacity</td>
</tr>
<tr>
<td>RF Front-End devices and modules</td>
<td>2,850,000</td>
</tr>
</tbody>
</table>

5.2.6 Shipments and Sales in the Last Two Years

<table>
<thead>
<tr>
<th>Major Products</th>
<th>Unit: thousand PCS; NT$ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
</tr>
<tr>
<td></td>
<td>Local</td>
</tr>
<tr>
<td></td>
<td>Quantity</td>
</tr>
<tr>
<td>RF Front-End devices and modules</td>
<td>727,132</td>
</tr>
</tbody>
</table>

5.3 Human Resources

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>As of 03/31/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>158</td>
<td>162</td>
<td>159</td>
</tr>
<tr>
<td>Indirect</td>
<td>44</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td>Management &amp; Sales</td>
<td>35</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>45</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>282</td>
<td>281</td>
<td>273</td>
</tr>
<tr>
<td>Average Age</td>
<td>35.6</td>
<td>35.8</td>
<td>36</td>
</tr>
<tr>
<td>Average Years of Service</td>
<td>6.06</td>
<td>6.52</td>
<td>6.73</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ph.D.</td>
<td>2.8%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Masters</td>
<td>17.4%</td>
<td>16.0%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>42.2%</td>
<td>46.3%</td>
<td>45.1%</td>
</tr>
<tr>
<td>Senior High School</td>
<td>30.1%</td>
<td>28.1%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Below Senior High School</td>
<td>7.5%</td>
<td>7.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties
The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None.

5.4.2 Countermeasures and possible disbursements to be made in the future: N/A.

5.5 Labor Relations

5.5.1 Employees’ welfare, education, training and pension, employee relations and protection of employees’ rights:
A. Employee Welfare
   (a) Profit sharing: Article 25 of the Articles of Incorporation: The Company should distribute remuneration to employees not less than 5% of annual profits.
   (b) Bonus system: Year-end bonus, performance bonus, operation bonus, etc.
   (c) Annual salary review system.
(d) Periodic health checkup.
(e) Group insurances.
(f) Facilities: Parking lots, staff lounge, nursing room, cafeterias, etc.
(g) Activities: Welfare committee would organize activities such as trips, year-end party, prize
drawing and various fun contests, and cash gifts for important festivals, birthday, wedding
and new babies, subsidies for hospitalization and education of employees’ children.

B. Staff training and training situation
In accordance with the "Employee Education Training Management Procedures", the company
plans relevant training courses according to the professional functions and learning needs of
employees.
(a) Training system
① Work-oriented training: The head of the unit is responsible for the work guidance of the
subordinates or the training of the work.
② Centralized training: Consider developing human resources, organizing goals and employee
education and propose annual education and training programs.
● New recruit training: New recruits should receive pre-employment training
● Functional training: Strengthen professional skills
● General education course: Courses on corporate social responsibility, information security,
occupational safety and health, and self-Inspiration
③ Management training: Training courses for grassroots supervisors, middle managers and
senior management.
(b) Summary of the implementation of education and training this year

<table>
<thead>
<tr>
<th>Courses name</th>
<th>Inside training</th>
<th>Outside training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of people trained</td>
<td>Expenses</td>
</tr>
<tr>
<td>General education course</td>
<td>1,758</td>
<td>-</td>
</tr>
<tr>
<td>Function-management training</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Function-professional skill training (Centralized)</td>
<td>112</td>
<td>-</td>
</tr>
<tr>
<td>Function-professional skill(OJT)</td>
<td>278</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2,148</td>
<td>-</td>
</tr>
</tbody>
</table>
C. Employee retirement system
   (a) The Company allocates pension funds in accordance with the legislation from the Ministry of
   Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of
   the minimum income cannot be lower than the income calculated based on the interest rate of
   the banks' two-year time deposits in accordance with the legislation “Management and
   Utilization of the Labor Pension Funds”.
   (b) The Company contributes at the rate of 6% of each employee’s monthly wages to the Labor
   Pension personal account of the Bureau of the Labor Insurance in accordance with the
   provisions of the Labor Pension Act from July 1, 2005. Under this defined contribution plan,
   the Company’s contribution to the Bureau of Labor Insurance requires no additional legal or
   constructive obligations thereafter.

D. Agreement between labor and management
   The company has an open management environment. Various forms of discussion and
   communication can be conducted at any time between management and employees. Any
   problem can be reached in a timely and interactive manner. The Company cares about the
   interaction and communication between colleagues, so that employees and employers can
   achieve common growth and development goals through communication and understanding. The
   company has built a challenging and learning environment where the relationship between
   workers and employers is harmonious, so there are no labor disputes.

E. Various employee rights maintenance measures: Follow the Labor Standards Act to handle
   everything.

5.5.2 Total losses (including compensation) and fines for labor disputes in the most recent
fiscal year and the current fiscal year up to the date of printing of the annual report:
None.

5.6 Important Contracts

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Counterparty</th>
<th>Period</th>
<th>Major Contents</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction contracts</td>
<td>Xu Yuan Construction Corp.</td>
<td>2017.11~2020.03</td>
<td>New plant construction</td>
<td>None</td>
</tr>
</tbody>
</table>