Stock Symbol: 2355

CHIN-POON INDUSTRIAL CO., LTD.

2018 ANNUAL REPORT

(Translation)

June 27, 2019

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

CHIN-POON Website: http://www.cppcb.com.tw

1. Addresses and telephone numbers of the headquarters and plants:
   Headquarters:
   No.17, Ln. 5, Sec. 2, Nanshan Rd., Luzhu Dist., Taoyuan City 33852, Taiwan
   Telephone: +886 3 322 2226
   Tao-Yuan Plant:
   No. 46, Neicuo St., Luzhu Dist., Taoyuan City 338, Taiwan
   Telephone: +886 3 322 2226
   Pin-Cheng Plant:
   No. 10, Gongye 2nd Rd., Pingzhen Dist., Taoyuan City 324, Taiwan
   Telephone: +886 3 469 8626
   Chang-Jung Plant:
   No. 171 & 171-1, Changrong Rd., Luzhu Dist., Taoyuan City 338, Taiwan
   Telephone: +886 3 322 2226
   Changshu Plant (China):
   No.98 Huangpujiang Road Changshu Southeast Economic Development Zone of Jiangsu, Jiangsu Province 215500, China
   Telephone: +86 512 52358168
   Draco Plant (Thailand):
   Bangkadi Industrial Park, Mu 5, 152 Tiwanon Road, Amphur Muang, Pathumthani 12000,Thailand
   Telephone: +66-2-5011241-6
2. Name, address, telephone, and website address of the agency handling shares transfer:
   Name: Concord Securities Co., Ltd. Registrar Agency Department
   Address: B1, No. 176, Sec. 1, Keelung Rd., Taipei City, Taiwan
   Telephone: +886 2 8787-1888
   Website: https://stock.concords.com.tw
3. Spokesperson's and deputy spokesperson's name, title, telephone, and email address:
   Spokesperson : Alex Hsiao
   Title : Senior Manager
   Telephone : +886 3 322 2226
   E-mail : spokesman@cppcb.com.tw
   Deputy spokesperson: Margaret Huang
   Title : Assistant Manager
   Telephone : +886 3 322 2226
   E-mail : spokesman@cppcb.com.tw
4. Names, firm name, address, telephone number, and website address of the certified public accountant of the latest annual financial statements:
   Accountant names: CPA Lily Lu and CPA Victor Wang
   Firm name: KPMG Taiwan
   Address: 68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City, Taiwan
   Telephone: +886 2 8101 6666
   Website: www.kpmg.com.tw
5. Name of overseas securities exchange: None
6. Corporate website: http://www.cppcb.com.tw

Table of Contents

1. Letter to Shareholders 4

1.1 Our Performance in 2018 4

1.2 Our Plan for 2019 7

2. Company Profile 13

3. Corporate Governance 15

3.1 Organization 15

3.2 Information on the Directors, CEO, VP, AVP, and Supervisors in each department and branch office 19

3.3 Remuneration for the Directors, CEO, and VPs for this fiscal year 23

3.4 Implementation of Corporate Governance 31

3.5 Information on the Company's Audit Fees 66

3.6 Information on the Change of CPAs 67

3.7 Information on the Company's chairperson, CEO, or any managerial officer in charge of finance or accounting having in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm 68

3.8 Information on changes in shareholding of directors, managers and major shareholders with 10% shareholdings or more in the most recent year and this year up until the date of publication of the annual report 69

3.9 Related Parties among Our Top 10 Shareholders 70

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company 71

4. Information on Shares 72

4.1 Capital and Shares 72

4.2 Issuance of Corporate Bonds. 85

4.3 Issuance of Preferred Shares 85

4.4 Issuance of Global Depository Receipts. 85

4.5 Employee Subscription Warrants 85

4.6 New Restricted Employee Shares. 85

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies 85

4.8 Financing Plans and Implementation. 85

5. Operational Highlights 86

5.1 Business Activities 86

5.2 Market Overview and Our Production and Sales 95

5.3 Employees' data of the last two years 108

5.4 Environmental expenditure Information 109

5.5 Labor Relations 112

5.6 Important Contracts 115

6. Financial overview 116

6.1 Condensed Financial Statement and CPAs' Opinions in the last five years 116

6.2 Financial analysis for the last five years 120

6.3 Audit Committee's Review Report for the Last Annual Financial Statements 123

6.4 The Consolidated Financial Statements of the Most Recent Year with CPA's Audit Report 124

6.5 The Parent Company only Financial Statements of the Most Recent Year with CPA's Audit Report. 200

6.6 Information on financial difficulties which the the company or its affiliates have experienced in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report 285

7. Review and analysis of financial position and financial performance and risk management 286

7.1 Analysis of Financial Position 286

7.2 Analysis of Financial Performance 287

7.3 Analysis of Cash Flow 288

7.4 Impact upon financial operations of any major capital expenditures during the most recent fiscal year. 289

7.5 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year 289

7.6 Assessment and management of risk matters 291

7.7 Other Important Matters 301

8. Other items deserving special mention 302

8.1 Information on the Company's affiliated enterprises 302

8.2 Private placement of securities 306

8.3 Holding or disposal of shares of the company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report 306

8.4 Other Supplementary Information. 306

9. Matters that have a significant impact on shareholders' equity or the price of the Company's securities 307

1. Letter to Shareholders

Dear Shareholders

We really appreciate your continuous support all these years.
First of all, the management would like to express a deep apology for the fire accident that occurred in the Company's P2 plant and P3 plant in April last year. The company is deeply sorry about the casualties and losses caused by this incident and the impact on shareholders' rights. Afterwards, the management has tried our best to deal with the aftermath.

This report will summarize the impact of the accident on the Company's business and finance, and report on the following other major items so that you can understand more about what we have done, what we are planning to do and what challenges we are facing.

Our Performance in 2018

The accident caused the company to lose about 15% of its production capacity. The average monthly revenue for the first four months of last year was NT$1,887 million, while the average monthly revenue for May-December was NT$1,582 million. The monthly revenue after the fire fell by an average of 16%.

The financial impact of the accident has been disclosed in the 2018 financial statements. The accident caused damage on some construction, equipment and inventory damage, and related repair costs, the estimated loss of which was NT$ 902,744 thousand. The company has received a part of insurance claims of NT$ 350,000 thousand. The above amount has been fully recognized under the account of Other Gains and Losses in 2018 financial statements. The company had insurance policy to fully cover the property losses by the accident. At present, we are negotiating with the insurance company to deal with insurance claims. Since the claims involve damage appraisal, the insurance claim amount cannot be fully confirmed as of the reporting date. The claims income will be recognized during the relevant period when the subsequent insurance claims amount can be reasonably estimated. In addition, the production line of the affected P2 plant and P3 plant was inoperable. Therefore, the company recognized the personnel expenses incurred by the two plants, including salary, pension, labor and health insurance and severance expenses, totaling NT$ 298,280 thousand, which was reported under the account of Other Gains and Losses in 2018 financial statements.

Our consolidated operating revenue in 2018 was NT$ 20,173,888 thousand and decreased by 14.68% and by NT$ 3,471,723 thousand from 2017. The revenue decline was mainly due to a loss of capacity of about 15% caused by a fire accident in April. Our operating income in 2018 was NT$ 895,053 thousand and decreased by 56.02% and by NT$ 1,140,089 thousand from 2017. The decline in operating income was mainly caused by mismatched capacity and poor production efficiency due to the fire accident. In addition, due to stricter environmental policies in Mainland China, the related manufacturing costs also increased significantly. Our profit before tax fell from NT$ 2,240,902 thousand in 2017 to NT$ 375,069 thousand in 2018, a decrease of 83.26%. The decline of our profit before tax is greater than the decline of our operating income. It is mainly due to the huge cost of the aftermath caused by the fire accident, which further reduces the profit. At the same time, the fire-damaged assets have all been recognized as losses, and the corresponding insurance claims received are only NT$ 350,000 thousand, which is far below our coverage in our insurance policy. The main insurance claim covered by our insurance policy could not be received and recognized by us until the insurance companies have complete the appraisal process for insurance claim. Our net income in 2018 was NT$ 163,311 thousand and decreased by 89.12% and by NT$ 1,337,493 thousand from 2017. So, our earnings per share (EPS) in 2018 was NT$ 0.41 which was less than that of 3.78 in 2017. Our net income decline was greater than the decline of our profit before tax, mainly due to the increase of the Profit-seeking Enterprise Income Tax in Taiwan from 17% to 20% in 2018, which caused some tax rate adjustments and income tax liabilities increase and resulted in a total annual tax rate of 43%. It further reduced our net income.

Operating Results in 2018

Unit: NT$ in thousands

Item \ Amount	2018	2017	Plus or Minus (Amount)	Plus or Minus (%)
Operating Revenue	20,173,888	23,645,611	(3,471,723)	(14.68%)
Operating Costs	18,098,029	20,355,047	(2,257,018)	(11.09%)
Gross Profit	2,075,859	3,290,564	(1,214,705)	(36.91%)
Operating Expenses	1,180,806	1,255,422	(74,616)	(5.94%)
Operating Income	895,053	2,035,142	(1,140,089)	(56.02%)
Non-operating Income and Expenses	(519,984)	205,760	(725,744)	(352.71%)
Profit before Tax	375,069	2,240,902	(1,865,833)	(83.26%)
Consolidated Profit	162,225	1,496,209	(1,333,984)	(89.16%)
Profit, attributable to owners of parent company	163,311	1,500,804	(1,337,493)	(89.12%)

Our budget achievement of operating revenue and operating costs were 79.00% and 82.59% of the 2018 budget targets. The main reason for its deviation from the budget is the impact of the fire accident. Our budget achievement of Profit before Tax was 14.84%, which is directly related to the increase in manufacturing costs and non-operating expenses caused by the fire accident.

Budget Achievement in 2018

Unit: NT$ in thousands

Item \ Amount	Actual Amount	Budget Amount	Achievement Rate (%)
Operating Revenue	20,173,888	25,535,404	79.00%
Operating Costs	18,098,029	21,913,933	82.59%
Gross Profit	2,075,859	3,621,471	57.32%
Operating Expenses	1,180,806	1,366,573	86.41%
Operating Income	895,053	2,254,899	39.69%
Non-operating Income and Expenses	(519,984)	272,720	(190.67%)
Profit before Tax	375,069	2,527,619	14.84%

We had significant impacts and declines in our business and profitability last year due to the fire accidents, but our long-term and short-term financial position remained fairly healthy. The debt-to-asset ratio in 2018 was 33.23%, which was even better than the 35.85% in 2017. The current ratio and quick ratio in 2018 were 203% and 150%, which was an improvement over the 2017 current ratio and quick ratio of 182% and 131%. The continuous improvement of our debt-to-asset ratio, current ratio and quick ratio shows that we have a strong financial position.

We have been dedicating significant efforts on R&D for our development in the future. We manage to keep ahead of our competitors in development of new products and new technology. The following was our results of R&D in 2018.

Results of R&D in 2018

A. Development of modified copper inlay process for cost reduction
B. Middle/High current carrying PCB - Mini-busbar
C. Partial thermal management PCB – Inlay + Blind Vias
D. Partial thermal management PCB – Square inlay
E. Partial thermal management PCB – Convex
F. Development of Rigid-flex
G. Development of Cavity PCB
H. Assisting overseas factories to upgrade their capabilities
I. Others

Our Plan for 2019

I. Operating Strategies:

We have been focusing on the niche market of printed circuit board (PCB) for automobiles and of PCB of medium volume, which are hugely demanding on more flexible production capability. We also have been facing the challenges of how to deal with the micro-profit era and the fast changes of global economy. We have set the following operating strategies to cope with those challenges and to respond to the changes in the markets and in the environments.

1. The Executives Committee plays a key role of integrating all departments, realigning resources and converging all efforts to fulfill our visions and strategies.
2. Dynamically target the potential products and niche markets to respond to global competitions and rapidly changing markets.
3. Realign all our resources to develop creativity of R&D, to build excellent production capability and to setup effective cost control systems in order to provide value-added products, services and total solutions with innovativeness and cost-competitiveness.

4. Build a cluster of Asian production and service bases which has a center in Taiwan and supporting bases in Mainland China and Thailand.
5. Provide Taiwan's resources of technology, marketing and administration to our bases in Mainland China and Thailand in order for them to rapidly upgrade their operating capabilities and to grasp the opportunities in the local markets of Mainland China, Southeast Asia and South Asia.
6. Integrate production processes and managerial resources to strengthen the supportive systems for production and to promote specialization center and sophisticated technical capabilities.
7. Enhance automation and smart production to raise production efficiency, to improve quality and to reduce costs.
8. Implement total quality control and utilize the Six Sigma methodology to build an edge in competitiveness of stable quality.
9. Continue to upgrade the capabilities of ERP（Enterprise Resource Planning）, CIM (Computer integrated manufacturing) and Industrial 4.0 ,and to participate in government-subsidized Technology Development Programs in order to strengthen our abilities and efficiency of operation and administration and to complete the planning and its implementation of Smart Factory.
10. Build a learning organization and knowledge management system to store, accumulate and share management wisdom among all employees in the company. Activate a cost control system and an incentive plan to guide resources of knowledge into increasing high value-added activities, reducing activities of low efficiency and of low value, and strengthen our core competitiveness. The cultivation of talents is centered on this knowledge management structure and learning organization in order to reserve enough talents for future challenges.

II. Operational Goals:

Volume of Single-sided:	1,596,019 M^2 (square meter)
Volume of Double-sided & Multilayer:	4,617,811 M^2 (square meter)

III. Strategies for Marketing and Production:

1. Production Strategies

Grasp the trends of technology and products and continue to improve our costs, quality, speed, flexibility and services.

(1) Enhance the quality systems of ISO-9002、ISO-14001、QS-9000、TL9000、TS 16949 and utilize the six sigma methodology to achieve the targets of our quality policy.

(2) Upgrade our capabilities of fine line, high density and micro via.

(3) Strengthen our capabilities of HDI (High Density Interconnect) and other high value-added technology.

(4) Continues to expand niche products such as aluminum PCB, Middle/High current carrying PCB, heavy copper board and etc.

(5) Upgrade automation, enhance our analytic ability for big data of production and enhance smart production. Our vision is to build smart factories.

(6) Build a cluster of Asian production and service bases. In particular, strengthen the manufacturing site in Thailand and capitalize on its double edges on low cost structure and nearness to the biggest automobiles manufacturing site in Southeast Asia.

2. Marketing Strategies

Keep up with market trends.

(1) Actively develop global markets and be a key supplier of global main players in different electronics industries. Simultaneously, increase the pocket share of our customers.

(2) Develop the markets in Mainland China, Southeast Asia, South Asia and other emerging countries.

(3) Build global marketing channels and strengthen global competitiveness.

(4) Build a complete platform of logistics and provide our customers more value-added services.

IV. R&D Plans:

1. Upcoming R&D plans:

- Development of Mid./High current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of special flexible PCBs
- Development of high frequency PCBs
- Development of cavity PCB
- Evaluation of direct pattern plating for cost reduction
- Evaluation of thermally conductive materials for EPS PCB
- Evaluation of automatic robotic arm for precise handling and automatic process flow of production

2. R&D Budget
   The total budget for research and development is around NT$ 129 million.

Our Strategies

1. Continue to expand the niche market of printed circuit board (PCB) for automobiles and of PCB of medium volume.
2. Build a cluster of Asian manufacturing sites. We are planning to simultaneously expand the manufacturing sites in Taiwan, in China and in Thailand in the next 2-3 years. Our new plant in Changshu, China, with a total investment of NT$ 2.1 billion, is expected to start mass production in 2019. There is still plenty of room for our capacity expansion in the future. We have increased our ownership on Draco, our manufacturing site in Thailand, from 95.53% to 99.58% in 2017. We are planning to build more capacity in Thailand. New capacity in Thailand has a very important significance to our strategy of grasping the opportunities of Southeast Asia and South Asia, providing extra capacity to our manufacturing site in Taiwan and Mainland China, and becoming our main source of future growth.
3. Strengthen R&D of niche products to avoid shrinking of profit margins owing to excessive competition in the industry.
4. Enhance automation and smart production to improve quality and to enhance production flexibility.

Challenges

Taiwan's PCB industry has been developing for more than 30 years and has built a complete supply chain and industrial clusters. Taiwan's PCB makers have an edge on yield, quality, price, speed and service over global competitors and have a great share of global demand of PCB for automotive electronics, telecommunication, information technology and consumers' electronics. According to the statistics of TPCA and IEK, total revenue of Taiwan's PCB makers in 2018 was NT$ 651 billion and increased by 5.2%.

After the rapid growth in 2017, global economy in 2018 had a promising start. Global economic growth in 2018 can still be maintained at 3.7% (IMF's estimate). However, with the tariff wars between major economies (especially the United States) and the corresponding retaliatory measures of the opposite economies, investment confidence in the economic outlook had declined. Since the second half of 2018, the growth rate of manufacturing and trade had slowed down. It had impact on the momentum of global economic growth. Nevertheless, as the US economy was still strong, the Fed continued to raise interest rates. The US dollar remained strong or flat, which helped to boost the profit of electronic component manufacturers and exporters which do business mainly in US dollars. Therefore, it is a relatively stable year for exporters.

The global economy is expected to slow down in 2019 under the negative global situations. In particular, the supply-side reforms promoted by China in the recent days, which had impact mainly on the Asian economy, the US-China trade war which has not yet improved, unclear prospects in Brexit and geopolitical tensions, all of those issues had deepened the uncertainty of the global economy. According to the IMF forecast, the global economic growth rate in 2019 will drop by 0.2% compared with 2018 and fall to 3.5%. Global economic growth is expected to begin to slow down in 2019. The biggest risk will be whether global economic growth will spiral into a gradual decline. However, since the foundation of the global economy is still quite solid, it is expected that this year will still be a year to look forward to.

According to the forecast of IEK, total revenue of Taiwan’s PCB makers in 2019 is expected to be NT$ 661 billion and increased by 1.5%. Taiwan’s PCB makers have always beaten the market and got a bigger share even in global adverse economic situations. They are competitive in the aspects of cost and manufacturing sites so they will still remain profitable in the future of expanding electronics industries.

Our production bases are located in Taiwan, China and Thailand. The local laws and regulations in different countries have been changed from time to time. The company is based on the principle of legal business and complies with local laws and regulations. Moreover, in recent years, the Taiwan authorities have gradually improved the relevant laws and regulations on corporate governance and social responsibility. The company has complied with the changes in laws and regulations, gradually completed the establishment of corporate governance systems, and fulfilled corporate social responsibilities in order to balance the Company’s shareholders' equity and the interests of all interested parties.

Taiwan PCB industry are facing many challenges and rapidly changing external environments which have a great impact on Taiwan's PCB industry. Facing stable growth of global economy in 2018, Chin-poon has aligned our strategy to enhance our edge on integration, globalization, niche products, key technology, logistics platform, cost control and knowledge management to achieve our business goals. However, due to the April fire accident, the Company’s planning was interrupted, which caused a great negative impact on operations and profit. Even so, under the significant losses, the company could still rely on our business to create a small profit and to maintain a strong financial position.

The fire accident is a big lesson for the company to dwell with. We are managing to turn this risk into an upgrade of our management with more focus on safety control and risk management in order to reset all the negative impact on the company. In addition, the company recognizes the advent of the era of knowledge management. We continually cultivate talents, appreciate valuable human resources, and has got certain progress and achievements in system management and organizational learning. We also aggressively implement ERP and CIM systems, Six Sigma, intelligent manufacturing and various projects in order to enable the Company’s internal resources to be used most effectively and production efficiency to be significantly improved. In the future, we will adopt a more active strategy in the expansion of our manufacturing sites in Asia to grasp the business opportunities provided by the growth of electronic industries around the world.

In the past year, the company has survived the huge impact of the fire accident under all employees’ painstaking efforts. We expect the competition in the future will be still extremely intensive. We are going to continue improving our core competitiveness to enhance our performance so that we can keep enhancing shareholders' equity.

Sincerely yours,

Chairman Chief Executive Officer Principal Accounting Officer

2.Company Profile

2.1 Founding Date

September 26, 1979.

2.2 Milestones

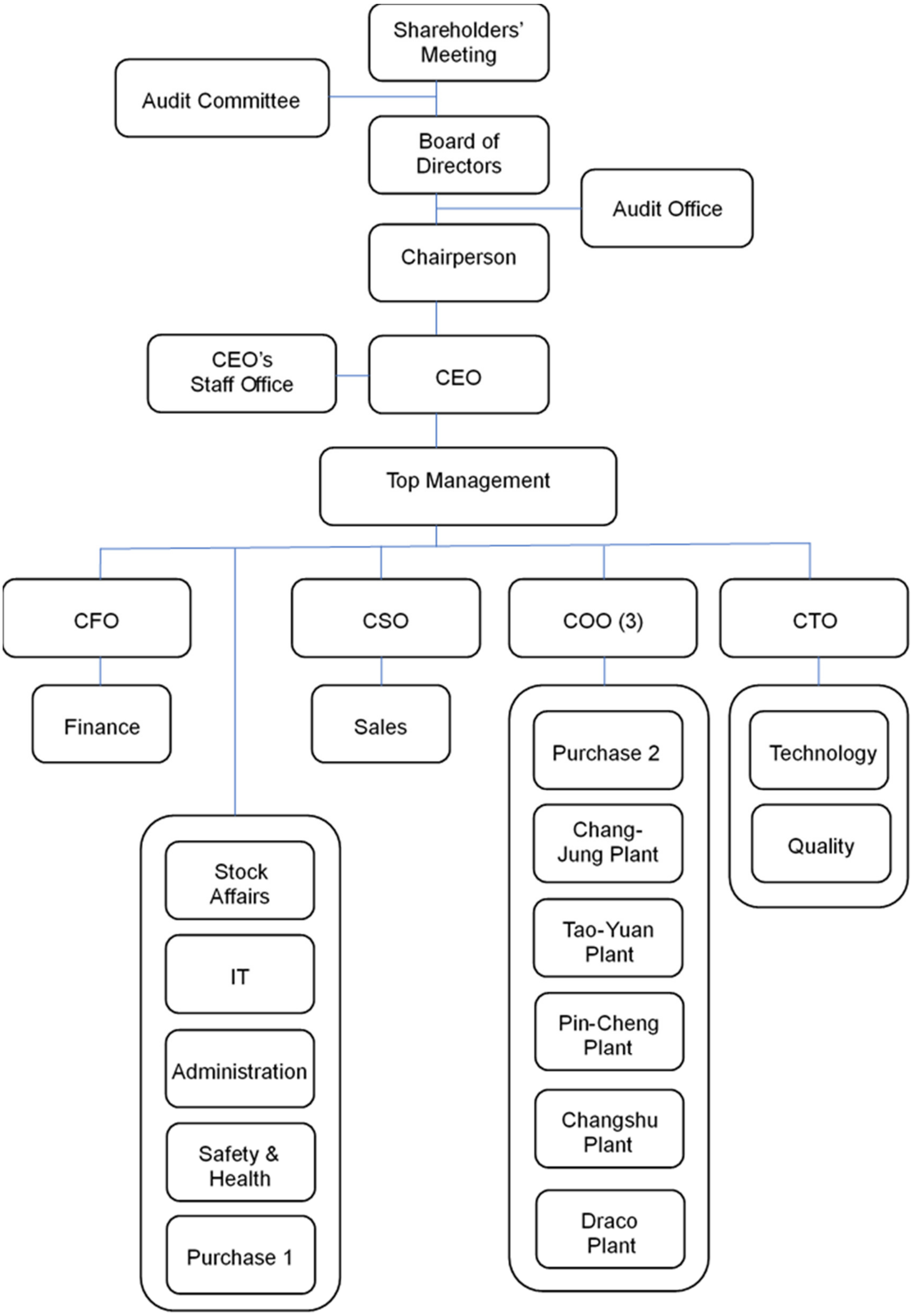
Year	Milestones
1979	Chin Poon Industrial Co., Ltd. founded with a share capital of NTD 2 million.
1984	T1 plant established.
1988	Acquired Da-Hong Industrial Co., Ltd..
1989	Invested in Draco PCB Public Co., Ltd. in Thailand to expand the market in South East Asia.
1990	Became a public-held company.
1991	Acquired Pin-Cheng Plant.
1994	Certificated with ISO-9002.
1995	T2 plant established.
1996	Listed on Taiwan Stock Exchange on October 14.
1998	Certificated with ISO-14001.
	Chin-Poon (Suzhou) Electronics Co., Ltd founded in Suzhou China to expand the market in China.
1999	Certificated with QS-9000.
2000	Chin-Poon (Suzhou) Electronics Co., Ltd certificated with ISO-9002, QS-9000 and TL-9000.
	Joint venture with Aspocomp from Finland to expand HDI business by restructuring Chin-Poon (Suzhou) Co., Ltd. into ACP Electronics Co., Ltd..
2001	Certificated with TL-9000.
	HDI (microvia) business started.
2002	Established P3 plant in Taiwan.
	Certificated with ISO-14000, ISO 9001:2000, TL 9000 Rel.3.0 and TS 16949:2002.
2003	Mr. Vincent Huang became the chairperson in September.
2004	Established Chang-Jung Plant in Taiwan
	New office building built.
2005	Acquired Shun-Hong Investment Co., Ltd..

2006	Chin-Poon (Changshu) Electronics Co., Ltd founded in Changshu China to expand the capacity in China.
2007	Sold 49% ownership of Chin-Poon (Suzhou) Electronics Co., Ltd to our joint venture partner in March.
	Established S1 and S2 plant of Chin-Poon (Changshu) Electronics Co., Ltd in China.
2008	Established P5 plant in Taiwan.
2010	Chin Poon Japan founded in January.
2012	Increased ownership of Draco PCB Public Co., Ltd. in Thailand up to 43.25%.
2014	Built a new plant of Draco in Thailand.
2015	Increased ownership of Draco PCB Public Co., Ltd. in Thailand up to 52.59%.
	New capacity of T2 plant expanded.
2016	Increased ownership of Draco PCB Public Co., Ltd. in Thailand up to 95.53%.
2017	Delisted Draco PCB Public Co., Ltd. from Thailand Stock Exchange in June and increased ownership of Draco PCB Public Co., Ltd. in Thailand up to 99.58% in July.
2018	Fire incident at P2 plant and P3 Plant in April.
	New expansion of Changshu plant established in December.

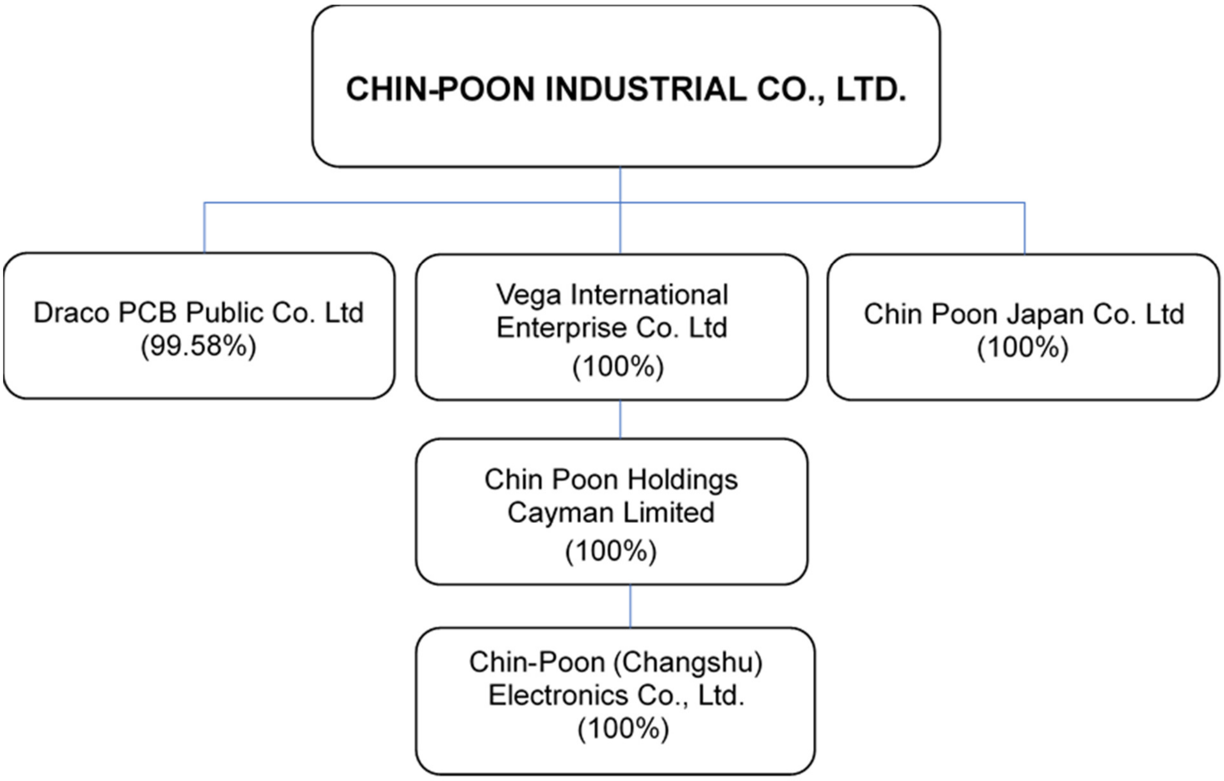
3. Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Family Tree



3.1.3 Primary Operational Departments

Top Management	The inter-departmental integration is organized as a variety of committees participated by top management in order to integrate the Company’s resources and build consensus, which is conducive to the alignment of operations and the improvement of performance and efficiency. A variety of committees includes a product committee, a price committee, a budget committee, and a manpower committee.
CEO's Staff Office	a. Responsible for planning the Company’s long-term and short-term business strategy and effectively supporting all units to complete their business objectives, for assessing the performance of each unit on regular or irregular basis according to the Company’s internal regulations, and for ensuring the safety of the Company’s assets and the effective operation of the business.

	b. In charge of investors relationship.
Audit Office	a. Assesses the appropriateness and effectiveness of the internal control system and make appropriate recommendations. b. Makes sure that all transactions comply with the Company's policies, plans, systems and related laws and regulations. c. Prevents anyone from falling foul of malpractice or unethical behavior. When the fraud event is discovered, the management can be notified in time to reduce the Company's losses. d. Makes sure that the Company's resources and assets are effectively used and properly protected.
Sales	a. Formulates and implements the annual sales plan. b. Transforms marketing strategies immediately and effectively to respond to market changes. c. Executes routine sales operations such as quotation, credit line application and collection of accounts receivable. d. Deals with customers' complaints and claim. e. Formulates and implements a variety of promotion strategies. f. Formulates and implements new product development and new market development. g. Manages the supply chain and collects information on the markets. h. Plans sales operation and manpower development. i. Assists implementation of environmental policy and environmental management.
COO & Plants	a. Plans the overall development of plants management. b. In charge of planning and establishment of plants. c. In charge of planning and selection of equipment and of establishment and implementation of equipment maintenance. d. Plans and enhances manufacturing capabilities. e. Establishes and implements quality systems. f. Researches and develops new processes and new products.

	g. Establishes and implements a production management system. h. Establishes and implements environmental protection systems. i. Plans and implements employee education and training. j. Implements cost management and control.
Administration	a. In charge of human resources planning and development and of education and training. b. Manages the routine operations of promotion, salary, welfare and attendance management. c. In charge of general administration and fixed asset management.
Safety & Health	a. Plans safety and health management to prevent occupational disasters and occupational diseases b. Provides information and recommendations on labor safety and health management.
IT	a. Establishes an enterprise information policy to integrate and manage enterprise information resources. b. Plans and implements information systems to improve the efficiency of business management.
Stock Affairs	in charge of the routines of stock affairs and of the matters of the shareholders' meeting.
Finance	a. In charge of fund planning, cash management and assets and risk management. b. In charge of affairs on accounting, tax, cost analysis and management.
Purchase	a. In charge of supplier selection and supplier development. b. Provides the raw materials to the demanding units at reasonable prices and in proper quantity, which is beneficial to the operation of manufacturing.

3.2 Information on the Directors, CEO, VP, AVP, and Supervisors in Each Department and Branch Office

3.2.1 Information on Directors and Independent Directors

April 29, 2019

Title	Nationality or Place of Registration	Name	Gender	Date of Being Elected	Terms	Date of Being First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Selected Education and Past Positions	Current Positions at Chin-poon and other companies	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairperson	R.O.C.	Huang, Wei-Jin	Male	2017.06.22	3	1979.08.11	13,238,409	3.33%	13,238,409	3.33%	2,642	0.00%	-	-	CEO, Chin-Poon Industrial Co., Ltd. National Cheng Kung University	Chairperson & CEO, Chin-Poon Industrial Co., Ltd. Director, Draco PCB Public Co., Ltd Chairperson, VEGA International Enterprise Co., Ltd. Chairperson, Chin-Poon Holdings Cayman Limited Chairperson, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Hiller Aircraft Corporation		None	
Director	R.O.C.	Lin, Pi-Chi	Male	2017.06.22	3	1979.08.11	8,287,649	2.08%	8,038,649	2.02%	2,645,839	0.67%	-	-	Manager, Chin-Poon Industrial Co., Ltd. National Tao-yuan Agricultural & Industrial Vocational High School	Director, Draco PCB Public Co., Ltd Director, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Hiller Aircraft Corporation Director, Chin Poon Japan Co., Ltd Director, Dalux Technology Co., Ltd		None	
Director	R.O.C.	Tseng-Liu, Yu-Chih	Female	2017.06.22	3	1979.08.11	9,603,279	2.42%	9,603,279	2.42%	1,660,422	0.42%	-	-	Assistant Manager, Chin-Poon Industrial Co., Ltd. St. Francis Xavier High School	Director, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Hiller Aircraft Corporation		None	
Director	R.O.C.	Tung, Hsiao-Hung	Female	2017.06.22	3	2005.05.18	6,344,043	1.60%	6,308,043	1.59%	-	-	-	-	Chairperson, Wei Ze Investment Co., Ltd. National Taipei College of Business	Chairperson, Tongli Investment CO., LTD. Director, Chin-Poon (Changshu) Electronics Co., Ltd.		None	
Director	R.O.C.	Lai, Hwei-Shan	Male	2017.06.22	3	1990.05.02	6,283,114	1.58%	6,283,114	1.58%	-	-	-	-	Chairperson, Liangpin Industrial Co., Ltd. National Chung Hsing University	Director, Chin-Poon (Changshu) Electronics Co., Ltd.		None	
Director	R.O.C.	Tseng, Wen-Yu	Male	2017.06.22	3	1988.02.05	5,546,357	1.40%	5,546,357	1.40%	183,630	0.05%	-	-	Chairperson, One Hsiang Restaurant Co., Ltd. LeeMing Institute of Technology	Chairperson, One Hsiang Restaurant Co., Ltd. Director, Chin-Poon (Changshu) Electronics Co., Ltd.		None	
Independent Director	R.O.C.	Chen, Hsiang-Sheng	Male	2017.06.22	3	2017.06.22	56,637	0.01%	56,637	0.01%	1,000	0.00%	-	-	Vice President, Chin-Poon Industrial Co., Ltd. National Taiwan Normal University	Independent Director & Member of Compensation committee, Elite Material Co., Ltd. Supervisor, Sunnic Technology & Merchandise Inc.		None	
Independent Director	R.O.C.	Chen, Shi-Shu	Male	2017.06.22	3	2017.06.22	0	0%	0	0%	-	-	-	-	CPA, Kudos & Co., C.P.A.s National Chung Hsing University	Member of Compensation committee, Rodex Fasteners Corp.		None	
Independent Director	R.O.C.	Hsu, Sung-Tsai	Male	2017.06.22	3	2017.06.22	1,242	0.00%	1,242	0.00%	-	-	-	-	Senior Assistant Manager, Standard Chartered Bank (Taiwan) Limited Chinese Culture University	None		None	

3.2.2 Professional Qualifications and Independence Analysis of Directors and Independent Directors

April 29, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lin, Pi-Chi			V	V	V		V	V	V	V	V	V	V	
Tseng-Liu, Yu-Chih			V	V	V		V	V	V	V	V	V	V	
Tseng, Wen-Yu			V	V	V		V	V	V	V	V	V	V	
Huang, Wei-Jin			V		V		V	V	V	V	V	V	V	
Lai, Hwei-Shan			V	V	V		V	V	V	V	V	V	V	
Tung, Hsiao-Hung			V	V	V		V	V	V	V	V	V	V	
Chen, Hsiang-Sheng			V	V	V	V	V	V	V	V	V	V	V	1
Chen, Shi-Shu		V		V	V	V	V	V	V	V	V	V	V	
Hsu, Sung-Tsai			V	V	V	V	V	V	V	V	V	V	V	

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person

under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in shareholding.

4. Not a spouse, a relative within the second degree of kinship, or a lineal relative within the fifth degree of kinship, of anyone of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or whose shareholding ranks in the top five.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
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 Act.
10. Not a governmental, a juridical person or its representative as defined in Article 27 of the Company Act.

3.2.3 Major Shareholders of the Institutional Shareholders

April 29, 2019

Name of Institutional Shareholders	Major Shareholders
No director appointed by any institutional shareholder.	None

3.2.4 CEO, VP, AVP, and Supervisors in Each Department and Branch Office

April 29, 2019

Title	Nationality	Name	Gender	Date of Assuming the Position	Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Primary Experiences & Education	Positions Presently Held in Other Companies	Managers who are a Spouse or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
CEO	R.O.C.	Huang, Wei-Jin	Male	1980.08.01	13,238,409	3.33%	2,642	0.00%	-	-	CEO, Chin-Poon Industrial Co., Ltd. National Cheng Kung University	Director, Draco PCB Public Co., Ltd Chairperson, VEGA International Enterprise Co., Ltd. Director, Hiller Aircraft Corporation Chairperson, Chin-Poon Holdings Cayman Limited Chairperson, Chin-Poon (Changshu) Electronics Co., Ltd.		None	
VP	R.O.C.	Charlie Tseng	Male	2007.01.01	176,682	0.04%	-	-	-	-	Soochow University	Supervisor, Chime Ball Technology Co., Ltd		None	
VP	R.O.C.	Alan Huang	Male	2007.01.01	150,955	0.04%	-	-	-	-	M.S., National Cheng Kung University	None		None	
VP	R.O.C.	Catherine Hsing	Female	2007.01.01	64,205	0.02%	-	-	-	-	Ming Chuan University	None		None	
VP	R.O.C.	Rachel Lin	Female	2002.01.01	80,217	0.02%	-	-	-	-	MBA, National Taiwan University	Independence Director & Member of Compensation Committee, Sitronix Technology Corporation		None	
VP	R.O.C.	Jack Lin	Male	2007.01.01	16,353	0.00%	-	-	-	-	National Central University	None		None	
Internal Auditing Officer	R.O.C.	Candy Sung	Female	2008.02.21	2,162	0.00%	-	-	-	-	Hsing Wu Commercial College	None		None	

3.3 Remuneration for the Directors, CEO, and VPs for this Fiscal Year

3.3.1 Remuneration for Directors

Unit: NT$ thousand

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Compensation Earned by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid from Non-consolidated Investees (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay & Pensions (B)		Remuneration to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay & Pensions (F)		Employees' Profit-sharing Bonus (G) (Note 6)						
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company		From All Consolidated Entities (Note 7)		The Company	From All Consolidated Entities (Note 7)	
																Cash	Stock	Cash	Stock			
Director	Huang, Wei-Jin																					
Director	Lin, Pi-Chi																					
Director	Tseng-Liu, Yu-Chih																					
Director	Tung, Hsiao-Hung																					
Director	Lai, Hwei-Shan	0	0	0	0	2,680	2,680	2,640	2,640	3.26%	3.26%	7,388	7,388	148	148	111	0	111	0	7.94%	7.94%	0
Director	Tseng, Wen-Yu																					
Independent Director	Chen, Hsiang-Sheng																					
Independent Director	Chen, Shi-Shu																					
Independent Director	Hsu, Sung-Tsai																					

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.

3.3.2 Remuneration Range of Directors

Range of Remuneration (X)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	From All Consolidated Entities (H) (Note 9)	The Company (Note 8)	From All Consolidated Entities (I) (Note 9)
X < NT$ 2,000,000	Huang, Wei-Jin Lin, Pi-Chi Tseng-Liu, Yu-Chih Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Huang, Wei-Jin Lin, Pi-Chi Tseng-Liu, Yu-Chih Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Lin, Pi-Chi Tseng-Liu, Yu-Chih Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Lin, Pi-Chi Tseng-Liu, Yu-Chih Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai
NT$2,000,000 ≤ X < NT$5,000,000				
NT$5,000,000 ≤ X < NT$10,000,000			Huang, Wei-Jin	Huang, Wei-Jin
NT$10,000,000 ≤ X < NT$15,000,000				
NT$15,000,000 ≤ X < NT$30,000,000				
NT$30,000,000 ≤ X < NT$50,000,000				
NT$50,000,000 ≤ X < NT$100,000,000				
X ≥ NT$100,000,000				
Total				

Note 1: The names of directors are individually presented and the amount of each payment is disclosed in a consolidated manner.

Note 2: This refers to directors' remuneration (including directors' salary, bonuses associated with their assignment, severance pay, various bonuses and incentives etc.) for the most recent fiscal year.

Note 3: This refers to the amount of remuneration for directors, which is approved by the Board of Directors for the most recent fiscal year.

Note 4: This refers to the directors' business-associated expenditures for the most recent fiscal year (including transportation fees, special expenses, various allowances, boarding, and company cars etc.). If housing, vehicles and other methods of transportation, or individual exclusive spending are offered, the characteristics and costs of the assets offered, the real or fair market value of rental expenses, gas allowance, and other payments should be disclosed. If a chauffeur is offered to a director, the payment to the chauffeur by the Company should be disclosed, but need not be counted within the allowance.

Note 5: This refers to the packages for the directors who also serve as employees (including serving as President, VP, other managers and staff) for the most recent fiscal year, which includes their salaries, bonuses associated with their assignment, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. If housing, vehicles and other methods of transportation, or individual exclusive spending are offered, the characteristics and costs of the assets offered, the real or fair market value of rental expenses, gas allowance, and other payments should be disclosed. If a chauffeur is offered to a director, the payment to the chauffeur by the company should be disclosed, but need not be counted within the category. And the listed salary costs of IFRS 2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in share capital, etc., should also be included in the category.

Note 6: This refers to the employee remuneration (including shares and cash) for those directors who also serve as employees (including serving as President, VPs, other managers, and staff) for the most recent fiscal year. The profit-sharing bonus to be paid to the employees, which has been approved by the Board of Directors for the most recent fiscal year, should be disclosed. If the bonuses cannot be estimated, the intended amount this year should be calculated based on last year's actual paid amount, and be disclosed in a separate form.

Note 7: The total amount of all payment paid to directors of The Company from all consolidated entities (including The Company) included in this report should be disclosed in its entirety.

Note 8: The names of directors are put in the range according to their total payment by The Company.

Note 9: The names of directors are put in the range according to their total payment by all consolidated entities (including The Company).

Note 10: Net income refers to the net income of the most recent fiscal year. If the IFRS has been adopted, the net income means the net income of the parent company only financial statements in the most recent year.

Note 11: a. The amount of compensation paid to directors from non-consolidated investees should be disclosed clearly.

b. If a company director has received compensation from non-consolidated investees, the amount received under this category should be included in the (I) column of the table in 3.3.2, and revise the name of the column as "From All Investees ".

c. This refers to the compensation, remuneration (including remuneration paid to employees, directors, supervisors or managers), and business-related allowance for the directors served as employees, directors, supervisors or managers in all non-consolidated investees.

* the compensation as disclosed in the tables is not in accordance with the concept of Income Tax Act. Hence, this table is solely for the purpose of information disclosure, and not for income tax return.

3.3.3 Remuneration and Remuneration Range of Supervisors

Not applicable.

3.3.4 Compensation for CEO and VPs

Unit: NT$ thousands

Title	Name (note 1)	Salary (A) (note 2)		Severance Pay & Pensions (B)		Bonuses & Allowances etc. (C) (note 3)		Employees' Profit-sharing Bonus (D) (note 4)				Total Compensation (A+B+C+D) as a % of Net Income (note 8)		Compensation Paid from Non-consolidated Investees (note 9)
		The Company	From All Consolidated Entities (note 5)	The Company	From All Consolidated Entities (note 5)	The Company	From All Consolidated Entities (note 5)	The Company		From All Consolidated Entities (note 5)		The Company	From All Consolidated Entities (note 5)	
								Cash	Share	Cash	Share			
CEO	Wei-Jin Huang	15,157	16,025	916	916	12,275	12,408	622	0	622	0	17.74%	18.35%	0
VP	Charlie Tseng													
VP	Alan Huang													
VP	Catherine Hsing													
VP	Rachel Lin													
VP	Jack Lin													

3.3.5 Compensation Range of CEO and VPs

Unit: NT$ thousands

Range of Compensation (X)	Names of CEO and VPs	
	The Company (Note 6)	From All Consolidated Entities (E) (Note 7)
X < NT$ 2,000,000		
NT$2,000,000 ≤ X < NT$5,000,000	Charlie Tseng Alan Huang Catherine Hsing Rachel Lin Jack Lin	Charlie Tseng Alan Huang Catherine Hsing Rachel Lin Jack Lin
NT$5,000,000 ≤ X < NT$10,000,000	Wei-Jin Huang	Wei-Jin Huang
NT$10,000,000 ≤ X < NT$15,000,000		
NT$15,000,000 ≤ X < NT$30,000,000		
NT$30,000,000 ≤ X < NT$50,000,000		
NT$50,000,000 ≤ X < NT$100,000,000		
X ≥ NT$100,000,000		
Total		

Note 1: The names of CEO and VPs are individually presented and the amount of each payment is disclosed in a consolidated manner. If a director is also CEO or VP, he/she should be listed in this table and in the tables in 3.3.1 and 3.3.2.

Note 2: This refers to CEO's and VPs' salary, bonuses associated with their assignment and severance pay for the most recent fiscal year.

Note 3: This refers to CEO's and VPs' various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. If housing, vehicles and other methods of transportation, or individual exclusive spending are offered, the characteristics and costs of the assets offered, the real or fair market value of rental expenses, gas allowance, and other payments should be disclosed. If a chauffeur is offered to a director, the payment to the chauffeur by the company should be disclosed, but need not be counted within the category. And the listed salary costs of IFRS 2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in share capital, etc., should also be included in the category.

Note 4: This refers to the profit-sharing bonus (including shares and cash) to be paid to CEO and VPs, which has been approved by the Board of Directors for the most recent fiscal year. If the bonuses cannot be estimated, the intended amount this year should be calculated based on last year's actual paid amount, and be disclosed in a separate form.

Note 5: The total amount of all payment paid to CEO and VPs of The Company from all consolidated entities (including The Company) included in this report should be disclosed in its entirety.

Note 6: The names of CEO and VPs are put in the range according to their total payment by The Company.

Note 7: The names of CEO and VPs are put in the range according to their total payment by all consolidated entities (including The Company).

Note 8: Net income refers to the net income of the most recent fiscal year. If the IFRS has been adopted, the net income means the net income of the parent company only financial statements in the most recent year.

Note 9: a. The amount of compensation paid to CEO and VPs from non-consolidated investees should be disclosed clearly.

b. If CEO and VPs has received compensation from non-consolidated investees, the amount received under this category should be included in the (E) column of the table in 3.3.2, and revise the name of the column as "From All Investees ".

c. This refers to the compensation, remuneration (including remuneration paid to employees, directors, supervisors or managers), and business-related allowance for CEO and VPs served as employees, directors, supervisors or managers in all non-consolidated investees.

* the compensation as disclosed in the tables is not in accordance with the concept of Income Tax Act. Hence, this table is solely for the purpose of information disclosure, and not for income tax return.

3.3.6 Employees' Bonus Paid to Management Team

March 31, 2019; Unit: NT$ thousands

	Title (note 1)	Name (note 1)	Shares	Cash	Total	Total Employees' Bonus Paid to Management Team as a % of Net Income
Managers	CEO	Wei-Jin Huang	0	658	658	0.40%
	VP	Charlie Tseng				
	VP	Alan Huang				
	VP	Catherine Hsing				
	CFO	Rachel Lin				
	VP	Jack Lin				
	Internal Auditing Officer	Candy Sung				

Note 1: Individual names and titles should be disclosed separately, but the bonuses can be disclosed collectively.

Note 2: The scope of a manager, according to No. 0920001301 letter of the Taiwan Finance and Securities III, includes the following:

a) CEO and the equivalent;

b) VP and the equivalent;

c) AVP and the equivalent;

d) CFO;

e) Accounting supervisor;

f) others who manage company affairs and have authority to sign documents.

Note 3: If the directors, CEO and VPs have received employee bonuses (including stocks and cash), they should be re-listed in this table in addition to the above tables.

3.3.7 Compare and illustrate the ratio of the total compensation paid to the Directors, Supervisors, CEO, and VPs from the Company and all consolidated entities to the net income of the financial statements, and explain the compensation policy, its standard and its combinations, the procedures to decide the amount of the compensation, and its correlation to management performance and expected future risks

3.3.7.1 The ratio of the total compensation paid to the Directors, Supervisors, CEO, and VPs from the Company and all consolidated entities to the net income of the financial statements

Unit: NT$ thousands

Title	2017		2017	
	The Company	Ratio of Total Compensation to Net Income (%)	All Consolidated Entities	Ratio of Total Compensation to Net Income (%)
Directors	12,800	0.85%	12,800	0.85%
Supervisors	1,680	0.11%	1,680	0.11%
CEO & VPs	38,541	2.57%	39,401	2.63%

Title	2018		2018	
	The Company	Ratio of Total Compensation to Net Income (%)	All Consolidated Entities	Ratio of Total Compensation to Net Income (%)
Directors	5,320	3.26%	5,320	3.26%
CEO & VPs	28,970	17.74%	29,971	18.35%

3.3.7.2 The remuneration of the directors and supervisors of the Company is allocated according to the distribution ratio stipulated in the Articles of Association of the Company; the compensation of CEO and VPs are paid according to the Company’s salary policy.

Bonuses and profit-sharing bonuses shall be proposed by the compensation committee according to the Company’s performance and expected future risks, and then approved by the board of directors.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the Board of Directors

In the most recent fiscal year, the Board of Directors have held 7 meetings (A). And the attendance of the Directors are as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Ratio of Attendance [B/A]	Remarks
Chairperson	Huang, Wei-Jin	7	0	100	
Director	Lin, Pi-Chi	7	0	100	
Director	Tseng-Liu, Yu-Chih	7	0	100	
Director	Tung, Hsiao-Hung	6	0	86	
Director	Tseng, Wen-Yu	6	0	86	
Director	Lai, Hwei-Shan	7	0	100	
Independent Director	Chen, Hsiang-Sheng	7	0	100	
Independent Director	Chen, Shi-Shu	7	0	100	
Independent Director	Hsu, Sung-Tsai	6	1	86	

3.4.2 Other Important Information on Operations of the Board of Directors

3.4.2.1 If one of the following circumstances occurs in the board of directors, the date, the period, the content of the proposals, the opinions of all independent directors on them and the Company's response to their opinions shall be stated:

(1) Matters listed in Article 14-3 of Securities Exchange Act: Important resolutions of the board of directors shall be approved by directors and all attending independent directors without no objections or reservations from independent directors. The important resolutions of the board of directors are as follows:

Date	Meeting	Proposal	Resolution and Execution
Jan. 19, 2018	First Meeting in 2018	No matters listed in Article 14-3 of Securities Exchange Act.	

Mar. 28, 2018	Second Meeting in 2018	1. Business Report and Financial Statements for 2017.	Approved with no objection from all directors and independence directors. The financial statements have been announced within the prescribed deadline.
		2. Proposal for Distribution of 2017 Profits.	Approved with no objection from all directors and independence directors and reported and recognized in the 2018 shareholders' meeting.
		3. Proposal for the Compensation of Employees and the Remuneration of Directors of 2017.	Approved with no objection from all directors and independence directors and reported in the 2018 shareholders' meeting.
		4. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2017.	Approved with no objection from all directors and independence directors.
		5. Matters related to the 2018 Annual Shareholders' Meeting.	Approved with no objection from all directors and independence directors.
		6. Matters related to Acceptance of Shareholders' Proposals.	Approved with no objection from all directors and independence directors.
		7. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in the Company.	Approved with no objection from all directors and independence directors.
May 11, 2018	Third Meeting in 2018	1. Resolution on CPAs' Fee (CPA Lily Lu and CPA Victor Wang of KPMG).	Approved with no objection from all directors and independence directors.
		2. Loan Renewal of US$ 5 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
Jun. 29, 2018	Fourth Meeting in 2018	1. Proposal for Distribution of 2017 Profits of the Company's Subsidiaries, including Chin-Poon (Changshu) Electronics Co., Ltd., Vega International Enterprise Co., Ltd. and Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.

		2. Loan Renewal of US$ 7 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
		3. The Company's Guarantee for the short-term credit line renewal of US$ 10 million by ANZ for Draco PCB Public Company Limited.	Approved with no objection from all directors and independence directors.
Jul. 13, 2018	Fifth Meeting in 2018	1. Relevant Matters of the 2018 Cash Dividend Distribution such as the Ex-Dividend Date.	Approved with no objection from all directors and independence directors.
		2. The Company's Guarantee for the short-term credit line renewal of US$ 8 million by ANZ for Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
Aug. 13, 2018	Sixth Meeting in 2018	1. Report on the 2019 Q2 Consolidated Financial Statements of the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
		2. Loan Renewal of US$ 8 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
		3. Amendment of Audit Reports on the Internal Control Audit System of The Company (IR00-0101-F04-02) and its subsidiaries (IR00-0101-F09-02).	Approved with no objection from all directors and independence directors.
Nov. 13, 2018	Seventh Meeting in 2018	1. Loan Renewal of US$ 10 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
		2. Approval of the 2019 Annual Audit Plan.	Approved with no objection from all directors and independence directors.
Jan. 18, 2019	First Meeting in 2019	1. Business Plan and Budget for 2019.	Approved with no objection from all directors and independence directors.
		2. Amendment of the Operational Procedures for Acquisition and Disposal of	Approved with no objection from all directors and independence directors.

		Assets and Other Operational Procedures in the Internal Control System.	
Mar. 20, 2019	Second Meeting in 2019	1. Business Report and Financial Statements for 2018.	Approved with no objection from all directors and independence directors.
		2. Proposal for Distribution of 2018 Profits and Retained Earnings.	Approved with no objection from all directors and independence directors.
		3. Proposal for the Compensation of Employees and the Remuneration of Directors of 2018.	Approved with no objection from all directors and independence directors.
		4. Amendment of the Articles of Incorporation of the Company.	Approved with no objection from all directors and independence directors.
		5. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2018.	Approved with no objection from all directors and independence directors.
		6. Matters related to the 2019 Annual Shareholders' Meeting.	Approved with no objection from all directors and independence directors.
		7. Matters related to Acceptance of Shareholders' Proposals.	Approved with no objection from all directors and independence directors.
		8. Directors & Officers Liability Insurance Policy.	Approved with no objection from all directors and independence directors.
		9. Amendment of the Operational Procedures for Loaning of Company Funds.	Approved with no objection from all directors and independence directors.
		10. Amendment of the Operational Procedures for Endorsements and Guarantees.	Approved with no objection from all directors and independence directors.
		11. Amendment of the Operational Procedures for Derivatives Transactions.	Approved with no objection from all directors and independence directors.
		12. New Addition of the Operational Procedures for Handling Directors' Requirements.	Approved with no objection from all directors and independence directors.
		13. Amendment of the Operational Procedures for Loaning of Company Funds	Approved with no objection from all directors and independence directors.

		of Chin-Poon Holdings Cayman Limited	
		14. Amendment of the Operational Procedures for Derivatives Transactions of Chin-Poon (Changshu) Electronics Co., Ltd.	Approved with no objection from all directors and independence directors.

(2) In addition to the above matters, there are other resolutions on which an independent director objects to or expresses reservations and which have been recorded in the board meeting minutes or in a written statement.

Until the annual report was finished, there was no such resolution.

3.4.2.2 Directors' Avoidance of Resolutions with Conflicts of Interest: The Company shall state the name of the directors, the content of the proposals, the reasons for avoidance and the resolutions.

Date	Name	Proposal	Reason of Avoidance	Resolution
Mar. 28, 2018	Huang, Wei-Jin	Proposal for CEO's Employee Bonus	Mr. Huang is CEO.	Mr. Huang has avoided the resolution because of conflicts of interest. The resolution has been approved with no objection from all directors and independence directors.
Mar. 20, 2019	Huang, Wei-Jin	Proposal for CEO's Employee Bonus	Mr. Huang is CEO.	Mr. Huang has avoided the resolution because of conflicts of interest. The resolution has been approved with no objection from all directors and independence directors.

3.4.2.3 Objectives of enhancing the functions of the board of directors in the current and most recent years (such as establishing an audit committee, improving information transparency, etc.) and its implementation: The Company has established an audit committee on June 22, 2017. And the governance of the board of meeting has been effective and excellent.

3.4.3 Operations of the Audit Committee

For the most recent year, the audit committee has held 5 meetings (A) And the attendance of independent directors as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Ratio of Attendance [B/A]	Remarks
Independent Director	Chen, Hsiang-Sheng	5	0	100	
Independent Director	Chen, Shi-Shu	5	0	100	
Independent Director	Hsu, Sung-Tsai	4	1	80	

3.4.4 Other Important Information on Operations of the Audit Committee

3.4.4.1 If one of the following circumstances occurs in the audit committee, the date, the period, the content of the proposals, the resolutions of the audit committee on them and the Company's response to their opinions shall be stated:

(1) Matters listed in Article 14-5 of Securities Exchange Act: The important resolutions of the audit committee are as follows:

Date	Meeting	Proposal	Resolution and Execution
Mar. 28, 2018	First Meeting in 2018	1. Business Report and Financial Statements for 2017.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Proposal for Distribution of 2017 Profits.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		3. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2017.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in the Company.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

May 11, 2018	Second Meeting in 2018	1. Resolution on CPAs' Fee (CPA Lily Lu and CPA Victor Wang of KPMG).	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Jun. 29, 2018	Third Meeting in 2018	1. Proposal for Distribution of 2017 Profits of the Company's Subsidiaries, including Chin-Poon (Changshu) Electronics Co., Ltd., Vega International Enterprise Co., Ltd. and Chin-Poon Holdings Cayman Limited.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. The Company's Guarantee for the short-term credit line renewal of US$ 10 million by ANZ for Draco PCB Public Company Limited.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Aug. 13, 2018	Fourth Meeting in 2018	1. Report on the 2019 Q2 Consolidated Financial Statements of the Company and its Subsidiaries.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Loan Renewal of US$ 8 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		3. Amendment of Audit Reports on the Internal Control Audit System of The Company (IR00-0101-F04-02) and its subsidiaries (IR00-0101-F09-02).	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Nov. 13, 2018	Fifth Meeting in 2018	1. Loan Renewal of US$ 10 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Approval of the 2019 Annual Audit Plan.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Jan. 18, 2019	First Meeting in 2019	1. Amendment of the Operational Procedures for Acquisition and Disposal of Assets and Other Operational Procedures in the Internal Control System.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

Mar. 20, 2019	Second Meeting in 2019	1. Business Report and Financial Statements for 2018.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Proposal for Distribution of 2018 Profits and Retained Earnings.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		3. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2018.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in the Company.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		5. Amendment of the Articles of Incorporation of the Company.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		6. Amendment of the Operational Procedures for Loaning of Company Funds.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		7. Amendment of the Operational Procedures for Endorsements and Guarantees.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		8. Amendment of the Operational Procedures for Derivatives Transactions.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		9. New Addition of the Operational Procedures for Handling Directors' Requirements.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		10. Amendment of the Operational Procedures for Loaning of Company Funds of Chin-Poon Holdings Cayman Limited	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		11. Amendment of the Operational Procedures for Derivatives Transactions of Chin-Poon (Changshu) Electronics Co., Ltd.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

(2) In addition to the above matters, there are other resolutions which have not been approved by the audit committee, but approve by more than two thirds of the attending directors in the board of directors.

There was no such resolution.

3.4.4.2 Independent Directors' Avoidance of Resolutions with Conflicts of Interest: The Company shall state the name of the directors, the content of the proposals, the reasons for avoidance and the resolutions.

There was no such resolution.

3.4.4.3 Communication between independent directors and internal auditing officer and CPAs (including important topics on the Company's financial and business status, their methods of communication and the results):

Independent directors can talk with the internal auditing officer and CPAs at any time on topics such as the Company's finances and business status. They can also listen to various business reports of the management at the board of directors. Moreover, in the interview with the internal auditing officer and CFO, in addition to inquiring about the audit reports and the financial statements, they can also inquire about all the details of various daily operations.

3.4.5 The Differences between the Company's Implementation and Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and their Reasons

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
1. Does the Company follow "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its code of practice for corporate governance?	V		The Company has established a code of practice for corporate governance and has been disclosed on the Company's website.	No difference.
2. Shareholding Composition & Shareholders' Rights (1) Does the Company have internal operational procedures for handling shareholders' suggestions, concerns, disputes and litigation matters and have these procedures being implemented accordingly? (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and firewall mechanism between the Company and its affiliates?	V		(1) The Company has a full-time office of stock affairs, and has stipulated its operational procedures to handle the matters on shareholders' suggestions, concerns, disputes and litigation matters. At the same time, the Company has appointed a professional stock service agency and capitalize on its expertise to properly handle such matters. Currently the Company has been dealing with those matters in accordance with the aforementioned procedures. (2) In addition to the shareholdings held by the directors, the Company is mainly held by institutional investors. And the institutional investors hold more than 50% of the ownership. At present, the Company has a list of major shareholders and beneficial owners of these major shareholders. (3) In order to implement them, the Company has been dealing with those matters in accordance with "Procedures for Transactions between the Company and its Affiliates, Specified Persons and Related Parties", "Procedures for Long-term and Short-term Investment", "Procedures for Supervising	(1) No difference. (2) No difference. (3) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?			Subsidiaries", "Internal Control System" and "Internal Audit System" and related laws and regulations. (4) The Company has established "Rules on Prohibiting Insider Trading" to prevent insiders from trading securities on undisclosed information.	(4) No difference。
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and had it implemented accordingly? (2) In addition to the Compensation Committee and the Audit Committee which are required by law, is the Company planning to set up other committees to facilitate the board of directors? (3) Has the Company established methodology for evaluating the performance of its Board of Directors and assessed its performance on an annual basis accordingly? (4) Does the Company regularly evaluate its CPAs' independence?	V		(1) In order to have a comprehensive view, the board of directors has different expertise and gender, and has implemented this diversification policy. (2) The Company has established a compensation committee in accordance with laws and regulations, and the 2017 shareholders' meeting has established an audit committee. Other types of functional committees are being planned. (3) The Company has not yet established procedures and methodology for evaluating performance of the board of directors. (4) The Company has been assessing the independence of CPAs every year.	(1) No difference. (2) No difference. (3) In planning. (4) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
4. Does the Company established a full- time (or part-time) corporate governance office or personnel to be in charge of corporate governance affairs (including but not limited to providing information required for directors and supervisors to execute their duties, handling matters relating to board meetings and shareholders' meetings in accordance with laws and regulations, processing and changing company registration and making minutes of board meetings and shareholders' meetings, etc.)?	V		The Company has set up a full-time office for corporate governance, which are CEO's Staff Office and Stock Affairs. Their job includes but not limits providing information required for directors and supervisors to execute their business, handling matters relating to board meetings and shareholders' meetings in accordance with laws and regulations, processing and changing company registration and making minutes of board meetings and shareholders' meetings, etc.	No difference.
5. Has the Company established communication channels with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its company website? Does the Company respond to stakeholders' concerns on important issues of corporate social responsibility?	V		The Company has established communication channels with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a Stakeholders Section on its company website. The Company also respond to stakeholders' concerns on important issues of corporate social responsibility appropriately.	No difference.
6. Has the Company appointed a professional stock service agency for handling its shareholders' meetings?	V		The Company has appointed a professional stock service agency for handling its Shareholders 'Meetings	No difference.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company has been released various financial and business information on the "Market Observation Post System", which is Taiwan official disclosure website for all listed companies in accordance with laws and regulations regularly and irregularly. The website of the	(1) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(2) Does the Company use other channels of information disclosure (e.g. maintaining an English website, designating a dedicated staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?			Company is www.cppcb.com.tw. (2) Yes. The Company has a dedicated staff responsible for information collection and disclosure. Our website is established in three languages which are Chinese, English and Japanese. The spokesperson also communicates with institutional investors and individual investors on the business and operation of the Company on a regular basis.	(2) No difference.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholders' rights, directors' continuous education and training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance policy for directors and supervisors)?	V		● The company has established a continuous education and training system for directors and has implemented it. ● When the board of directors was held, most of the directors attended. ● The Company has established a code of practice for ethical corporate management. ● All departments of the Company have established their risk management policies and implemented them and have been improving their practice. ● The Company have got certification of ISO-9001, ISO-9002, ISO-14000, ISO-14001, QS-9000, TL-9000, TS-16949 and other quality certification. The items listed in these certifications and environmental policies promoted by the Company are implemented on the quality commitment and responsibility for customers. They are facilitating a positive interaction between the Company and our customers. ● There are few resolutions of the Company's board of directors which have conflicts of interest. If there is, the directors who have conflicts of interest will avoid voting	No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			in those resolutions.	

9. Please indicate the improvement for the result of Corporate Governance Evaluation announced by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the recent year, and propose priorities and measures for those who have not yet improved.

- For the absence of the English version of the annual report, which has not met the assessment criteria, we are planning to correct it this year.
- For the absence of independent directors and the audit committee, we have corrected them in the 2017 shareholders' meeting.
- Regarding whether or not to prepare a corporate social responsibility report, we are assessing its impact on the industry's competitive situation because it involves exposing important information beyond the financials.

3.4.6 Continuing Education and Training of Directors

Title	Name	Date	Education Center	Course	Hours
Director	Tseng, Wen-Yu	July 10, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Director	Lin, Pi-Chi	July 10, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Director	Tung, Hsiao-Hung	July 17, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Director	Tseng-Liu, Yu-Chih	July 17, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Independent Director	Chen, Hsiang-Sheng	July 17, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Independent Director	Chen, Hsiang-Sheng	Mar. 30, 2018	Taiwan Corporate Governance Association	Operation and responsibility of the board of directors	3
Independent Director	Chen, Shi-Shu	Sep. 17, 2018	Accounting Research and Development Foundation	The impacts of the latest Company Act amendment on the practice of internal control and internal audit and their measures for the impacts	6
Independent Director	Chen, Shi-Shu	Apr. 11, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Enterprise Heritage	3
Independent Director	Hsu, Sung-Tsai	July 10, 2018	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3

3.4.7 Continuing Education and Training of Manages

Title	Name	Date	Education Center	Course	Hours
CFO	Rachel Lin	Oct. 11~12, 2018	Accounting Research and Development Foundation	Continuing education course for principal accounting officers of issuers, securities firms, and securities exchanges	12
Internal Auditing Officer	Candy Sung	Oct. 30, 2018	Accounting Research and Development Foundation	The impacts of the latest Company Act amendment on the practice of internal control and internal audit and their measures for the impacts	6
Internal Auditing Officer	Candy Sung	Oct. 31, 2018	Accounting Research and Development Foundation	Internal auditors' compliance on the practical issues of "information security" and "personal privacy"	6

3.4.8 If the Company has established a compensation committee, it shall disclose its composition, responsibilities and operation:

The compensation committee has been set.

3.4.8.1 Composition:

The compensation committee has three members who have one of the following professional qualifications, and has more than five years of work experience.

(1) Being a Certified Public Accountant or being a professional or technical specialist who has passed a national examination and been awarded a certificate.

(2) Having work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the company.

<u>Information on the Members of the Compensation Committee</u>

April 29, 2019

Title (note 1)	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	
Independent Director	Chen, Shi-Shu		V		V	V	V	V	V	V	V	V	1
Independent Director	Hsu, Sung-Tsai			V	V	V	V	V	V	V	V	V	0
Independent Director	Chen, Hsiang-Sheng			V	V	V	V	V	V	V	V	V	1

Note 1: For title, please identify whether the person is a director, independent director, or other.

Note 2: Please tick the boxes below each criterion if a member has passed these thresholds two years prior to being elected and during his/her term of service.

(1)Being not an employee of the Company or any of its affiliates.

(2)Being not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company directly and indirectly holds more than 50 percent of the voting shares.

(3)Being 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 one percent or more of the total number of outstanding shares of the Company or ranking in the top 10 in shareholdings.

(4)Being not a spouse, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship, of anyone of the persons in the preceding three subparagraphs.

(5)Being not a director, supervisor, or employee of a institutional shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or of a institutional shareholder that ranks among the top five in shareholdings.

(6)Being not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.

(7)Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof..

(8)There is no circumstance of Article 30 of the Company Act.

Note 3: If the member is a director, please indicate whether it meets the requirements of Article 6.5 of “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”.

3.4.8.2 Responsibility:

The compensation committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors.

(1) To prescribe and periodically assess the policy, system, standards, and structure for reviewing the performance of directors, supervisors and managerial officers, and deciding their remuneration and compensation.

(2) To periodically evaluate and prescribe the remuneration and compensation of directors, supervisors, and managerial officers.

3.4.8.3 Information on the Operations of the Compensation Committee

(1) The Company has three members in the compensation committee.

(2) Term: from June 22, 2017 to June 21, 2020. The compensation committee has held 2 meetings (A) for the most recent fiscal year (2018). The attendance records of committee members are as followings:

Title	Name	Attendance in Person	Attendance by Proxy	Ratio of Attendance [B/A]	Remarks
Chairperson	Chen, Hsiang-Sheng	2	0	100	
Member	Chen, Shi-Shu	2	0	100	
Member	Hsu, Sung-Tsai	1	1	50	
Other Important Information: 1. If the Board of Directors does not adopt or amend the recommendations of the compensation committee, it shall state the date and period of the board of directors, the content of the proposal, the resolutions of the board of directors and the Company's treatment of the opinions of the compensation committee (e.g. if the remuneration and compensation approved by the board of directors is better than those proposed by the compensation committee, the company should state the difference and the reasons): None. 2. If members of the compensation committee have objections or reservations in the compensation committee's resolutions, which have been recorded in the minutes or in a written statement, the Company should state the date and period of the compensation committee meetings, the content of the proposals, the opinions of all members and the treatment of members' opinions: None.					

3.4.9 Fulfillment of Social Responsibility: The Company's systems and measures and implementation of environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities.

The Company's core values extend to every aspect of the business, including commitment to employee benefits, commitment to society and the community, and commitment to the environment.

In promoting environmental protection and enhancing safety and health, the Company not only complies with the relevant domestic laws and regulations, but also meets requirements of internationally recognized standards. The Company's policies of environmental protection and enhancement of safety and health include pollution prevention, effective usage of resources, prevention of accidents, promotion of employees' safety and health, protection of company assets, and to provide a work environment that promotes the well-being of all employees and local communities.

3.4.9.1 Environmental Protection

All of the Company's sites have been got certifications of the Environmental Management System (ISO 14001: 2004) as early as 1999, and certified as a Sony's Green Partner (Green Partner) in 2002. In order to reduce potential risks for environment, safety and health, the Company adheres to the spirit of continuous improvement and actively proposes and implements feasible improvement solutions for pollution prevention, energy and resource conservation, waste reduction, safety and health management, fire and explosion prevention, and other hazards including earthquakes.

In 2006, the European Union implemented the Restriction of Hazardous Substances (RoHS). The requirements for the management of hazardous substances in products are rather strict. However, the Company has been taking environmental protection as its responsibility in recent years and have adopted this directive already in 2004. The Company has been widely using environmentally friendly materials and lead-free processes since 2004.

Air and water pollution prevention and control: The Company's factories are equipped with air and water pollution prevention equipment in accordance with regulatory emission standards. This kind of pollution prevention equipment also has designed a backup system including emergency power supply to ensure that if some equipment failure occurs during operation, the backup system can be used as a substitute to reduce the risk of abnormal pollutant discharge. The Company also incorporates all water pollution prevention and air pollution control equipment into the central monitoring system which is monitored by a 24-hour rotating staff. We also track frequently and routinely the information on detecting system effectiveness and efficiency to ensure the discharge quality of air and wastewater.

Water conservation: In order to effectively utilize the limited water resources in Taiwan, the Company’s factories are committed to improving the process water recovery rate by adjusting the water consumption of equipment and processes and improving the wastewater recovery system. In addition, the Company has been doing its best in reducing non-manufacturing water, such as reducing air conditioning water, using recycled water in sanitation facilities, controlling the water for external wall cleaning and landscape watering, and saving kitchen water.

Waste management and resource recycle: The Company set up a special unit to coordinate the waste management. In order to achieve sustainable use of resources and efficient waste management, the first priority is on waste reduction in manufacturing. And we also outsource waste recycling to professional companies and capitalize on their specialty on waste recycling. In order to truly grasp the flow of waste, the Company carefully selects companies of waste disposal and recycling and has an annual audit plan to confirm its license documents, on-site operation and driving route in order to ensure that all waste is properly disposed of or recycled properly to avoid secondary environmental pollution.

Other environmental protection plans: The Company has established an accounting system for environmental protection, which combines assessment tools of economic benefit with environmental management systems to assist each factory to calculate the cost or profit saved by environmental management programs to encourage economically viable environment protection plans.

3.4.9.2 Safety and Health Management

The Company’s safety and health management architecture adopt four-step management method of PDCA (plan–do–check–act) to achieve the goal of preventing accidents, promoting employee safety and health, and protecting company assets. In addition to its commitment to accident prevention, the Company also develops disaster emergency procedures to protect the lives of employees and contractors and the property and interests of the Company’s investors in the event of a disaster and to avoid or reduce the impact of the disaster on society and on the environment.

Safety management can be divided into several categories. On the safety of manufacturing equipment, we mainly establish communication channel with equipment suppliers to enhance safety mechanism and to reduce the potential risks and follow the installation safety control procedures to control the installation risks in every stages of installation. On the safety of factory management, we not only focus on the regular work safety management, but also emphasize more on implementing stricter control of high-risk operation. On the seismic safety, we perform seismic assessment of buildings and enhance the earthquake-resistant capability of equipment to reduce earthquake losses. On the safety of equipment and facilities under control of IT and General Administration, we strengthen safety design planning and regular safety inspection. On health management, in addition to promoting general health improvement and occupational health management, we also prescribe the measures of epidemic prevention to reduce operational risks.

The Company’s environmental, safety and health policies are committed to preventing accidents, promoting employee safety and health, protecting company assets, and creating a safe and comfortable working environment. The operation mode of the Company’s safety and health management is as follows:

- The hardware safety of facilities used in the manufacturing, factory management, IT and general administration is in accordance with the laws and regulations and internal standards during the installation and expansion. In addition, the Company also establish and maintain checking system and procedures on approving the use of new machines and new materials, activating new machines, modifying safety rules, and implementing anti-seismic measures and other safety measures.
- Regular safety management, training and auditing: All regular reviews of environmental protection, safety and health are held monthly throughout

the Company. The Company has adopted a variety of preventive measures, such as high-risk operations management, contractor management, chemical safety management, requirements on personal protective gears and safety audit management. In addition, the Company has prescribed a complete disaster response process and regularly practice its drills to minimize the loss of employees and company assets and the impact on social and the environmental in the event of disasters.

- Measurement of working environment: The Company regularly carries out physical and chemical measurement of the working environment to ensure the health of employees. Measurement items include noise, air quality, chemical exposure and illumination. All measurement items must comply with the statutory requirements. Otherwise, improvement measures should be taken.
- Emergency response: An effective emergency response plan requires comprehensive thinking and continuous improvement and drills. The Company's emergency response plan includes rapid response to accidents, disaster recovery, and establishment of contingency procedures for potential disasters. All of the Company's factories hold drills of emergency response and evacuation every year. The contractor's resident workers also participate in emergency response plans and drills to ensure that the Company minimizes disaster losses.
- Employee health promotion: The Company's factories provide health care and assistance services, annual health examination and employee assistance programs.

3.4.10 Implementation of Corporate Social Responsibility

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
1. Implementation of Corporate Governance (1) Does the Company have a corporate social responsibility policy or system and evaluate the effectiveness of its implementation? (2) Does the Company hold regular CSR training? (3) Does the Company have a dedicated CSR office run by senior management who is authorized by the board of directors and reports to the board of directors? (4) Does the Company set a reasonable compensation policy, integrate employee performance appraisal with CSR policy, and establish a clear and effective reward and disciplinary system?	V		(1) The Company has established a code of practice for corporate social responsibility and has incorporated social responsibility into the various operational procedures of the Company. (2) The Company has added social responsibility education and training programs in regular education and training for all levels of managers. (3) The Company has a dedicated CSR office in CEO's Staff Office, which is run by senior management who is authorized by the board of directors and reports to the board of directors, to promotes the corporate social responsibility. At the same time, the departments of human resources, general administration, procurement, equipment and utilities, factory management and other units implement the corporate social responsibility in the practical affairs under their scope of duties and responsibilities. (4) The Company has established a reasonable salary and compensation policy, and combined the employee performance appraisal system with the corporate social responsibility policy, and established a clear and effective reward	(1) No difference. (2) No difference. (3) No difference. (4) No difference。

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			and disciplinary system.	
2. Environmentally Sustainable Development (1) Is the Company committed to improving the utilization efficiency of various resources and using renewable materials with low environmental impact? (2) Has the Company established a suitable environmental management system based on its industrial characteristics? (3) Does the Company pay attention to the impact of climate change on operational activities, carry out accounting of greenhouse gas emissions, and set strategies for energy conservation and greenhouse gas emissions reduction?	V		For details, please refer to “3.4.9.1 Environmental Protection” and “3.4.9.2 Safety and Health Management”.	(1) No difference. (2) No difference. (3) No difference.
3. Promotion of Social Welfare (1) Does the Company set policies and procedures in compliance with relevant laws and regulations and International Bill of Human Rights? (2) Has the Company established a mechanism and channels for employee complaints and properly handle them? (3) Does the Company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees? (4) Does the Company establish a mechanism for regular employee communication and notify the employees of the business changes that may have	V		(1) For details, please refer to "5.5 Labor Relations". (2) For details, please refer to "5.5 Labor Relations". (3) For details, please refer to "3.4.9.2 Safety and Health Management" and "5.5 Labor Relations". (4) For details, please refer to "5.5 Labor Relations".	(1) No difference. (2) No difference. (3) No difference. (4) No difference。

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
a significant impact on employees in a reasonable manner?				
(5) Does the Company establish an effective career development training program for employees?			(5) For details, please refer to “5.5 Labor Relations”.	(5) No difference.
(6) Does the Company incorporate consumers protection policies and complaint procedures into the processes of research and development, procurement, production, operations and service?			(6) The customers of the Company are electronic manufacturers, not consumers. The Company and its customers are partners in collaborative design and manufacturing, and both parties can fully communicate on all topics of their rights, products and services.	(6) No difference.
(7) Does the Company comply with relevant regulations and international standards for the marketing and labeling of products and services?			(7) The customers of the Company are electronic manufacturers, not consumers. However, the Company has been complying with relevant regulations and international standards for the marketing and labeling of products and services.	(7) No difference.
(8) Does the Company evaluate its potential suppliers' track records on their environmental and social impact before engaging with them?			(8) The Company demands its suppliers to sign Supplier Honesty and Integrity Agreement before any business between both parties, and require suppliers to provide raw materials that meet environmental protection standards, and work together to enhance corporate social responsibility. the Company will pay attention to and evaluate its potential suppliers' track records on their environmental and social impact before doing any business with them.	(8) No difference。
(9) Does the Company's contracts with major suppliers include termination clauses for the condition that			(9) The Company's contracts with major suppliers does not include termination clauses for the	(9) No difference。

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
they violate CSR policy and cause significant environmental and social impact?			condition that they violate CSR policy and cause significant environmental and social impact. However, all contracts with them include a breach clause. If the supplier involves a violation of its corporate social responsibility policy, and has a significant impact on the environment and society, it could be in a state of unstable supply. We will be able to use the breach clause to terminate the contract with it at any time. In the future, we will add a termination clause combined with CSR policies in our new contracts with suppliers.	
4. Enhanced Information Disclosure (1) Does the Company disclose relevant and reliable CSR information on its website and on the “Market Observation Post System”, which is Taiwan official disclosure website for all listed companies?	V		The company has disclosed internal regulations and operational procedures on the Company’s website. The Company has set up a stakeholders’ area on the Company’s website and on the “Market Observation Post System”, which is Taiwan official disclosure website for all listed companies. And we have been responding appropriately to stakeholders’ concern and important issues of corporate social responsibility.	No difference。
5. If the company has established its code of practice for corporate social responsibility according to “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation. The Company has established its own code of practice for corporate social responsibility according to “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and has implemented various corporate social responsibilities in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”. For details, please refer to “3.4.9.1 Environmental Protection”, "3.4.9.2 Safety and Health Management", "5.5 Labor Relations" and other sections.				

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility:

The Company has explained them in detail in the “3.4.9.1 Environmental Protection”, "3.4.9.2 Safety and Health Management", "5.5 Labor Relations" and other sections.</td></tr>
<tr><td colspan="5">7. Other information regarding “Corporate Responsibility Report” which has passed the verification criteria of the relevant verification agency:

The Company has not commissioned a third-party verification agency to review it.</td></tr>
</table>

3.4.11 Implementation of Ethical Corporate Management

The Company has established internal control system, internal auditing system, a code of practice for ethical corporate management and various procedures. And internal auditors and external professionals (CPAs) check their implementation on irregular basis. In addition, the Company has a company website for the public to understand the Company. The major financial and business information are properly disclosed for investors' review on the "Market Observation Post System", which is Taiwan official disclosure website for all listed companies. The implementation of corporate social responsibility is disclosed in our annual report and prospectus.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
1. Establishment of Ethical Corporate Management Policy and its Implementation Measures	V			
(1) Does the Company express its commitment to its policies and practices of ethical corporate management in its regulations and external documents? Do the board of directors and management actively implement this commitment?			(1) The Company has established a code of practice for ethical corporate management and disclosed its policies for ethical corporate management in its internal regulations and annual reports.	(1) No difference.
(2) Does the Company establish relevant measures which are duly enforced to prevent unethical conduct and which also provide implementation procedures, code of conduct, discipline for violation and complaint procedures?			(2) The Company has clearly defined in its internal regulations that "the Company and its directors, managers, employees and substantial controllers shall not directly, or indirectly, provide, promise, request or accept any form of illegitimate interests in the execution of business, which include commissions, rebates, facilitating payment or other improper benefits through other means provided to or received from customers, agents, contractors, suppliers, public officials or other interested parties." And	(2) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(3) Does the Company adopt preventive measures for the business activities prescribed in Article 7.2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and any other business activities with high risk of unethical conduct?			we have been implementing the concepts of employees' integrity and self-discipline in various operational procedures and training programs. (3) The Company expressly prohibits the provision or acceptance of improper benefits and related measures for their violations in its internal regulations and operational procedures.	(3) No difference.
2. Implementation of Ethical Corporate Management (1) Does the Company assess the integrity records of its counter parties with whom it has business relationship and include a clause of ethical conducts in their contracts? (2) Does the Company set up a unit under the board of directors, which is dedicated to promoting the Company's ethical corporate management, and reports its implementation directly to the board of directors on a regular basis? (3) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels and implement such policies properly? (4) Does the Company establish effective accounting and internal control systems that are audited by internal auditors or CPAs regularly in order to implement	V		(1) Before the Company signs a contract with other parties, it will conduct a credit review and will ask the other party to sign Supplier Honesty and Integrity Agreement. (2) CEO's Staff Office is responsible for the amendment and implementation of relevant regulations and procedures of the Company, which are approved by the board of directors when they are amended. (3) The Company's internal regulations and operational procedures clearly stipulate the terms on avoidance of conflict of interest. When employees encounter conflicts of interest in the execution of their business, they should report to their immediate supervisor. (4) The accounting system of the Company is based on Company Act, Securities Exchange Act, Business Entity Accounting Act,	(1) No difference. (2) No difference. (3) No difference. (4) No difference。

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
relevant policies on ethical corporate management? (5) Does the Company provide internal and external training programs on ethical corporate management on a regular basis?			Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards and relevant laws and regulations, and take into consideration the Company's characteristics of business, organization and actual needs. The internal control system has been formulated according to " Regulations Governing Establishment of Internal Control Systems by Public Companies " and has been implemented. The Audit Office also regularly reviews the compliance of the accounting system and the internal control system, and tracks its corrections, and reports to the board of directors on a regular basis. (5) The Company has added the education and training program on ethical corporate management in regular education and training for all levels of managers.	(5) No difference.
3. Implementation of Whistleblower System (1) Does the Company establish a whistleblower system and an incentive policy for whistleblowing, set up conveniently accessible whistleblowing channels, and assign a dedicated person for the whistleblowers to handle their reports?	V		(1) The Company has stipulated a whistleblower system in its internal regulations and operational procedures, and has been educating employees to use it through the education and training programs. A conveniently accessible whistleblowing channels has been established. And we will assign a dedicated person for the	(1) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(2) Does the Ccompany establish standard operational procedures for investigating the reports of the whistleblowers and ensuring such reports are handled in a confidential manner? (3) Does the company adopt proper measures to prevent whistleblowers from retaliation for their reports?			whistleblowers to handle their reports to protect them. (2) The Company has not established the standard operational procedures for investigating the reports of the whistleblowers and ensuring such reports are handled in a confidential manner. However, the cases in recent years has been handled in a prudent manner by the senior executives to ensure the rights and interests of the whistleblowers. (3) The Company will take appropriate measures to protect the whistleblowers from improper treatment due to their reports. However, the Company will also conduct cautious investigations to protect the accused from improper or incorrect accusation.	(2) No difference. (3) No difference.
4. Enhanced Information Disclosure (1) Does the company disclose its code of practice for ethical corporate management as well as information about implementation of such code of practice on its website and on the "Market Observation Post System", which is Taiwan official disclosure website for all listed companies?	V		(1) The company has disclosed internal regulations and operational procedures on the Company's website. The Company has set up a stakeholders' area on the Company's website and on the "Market Observation Post System", which is Taiwan official disclosure website for all listed companies. And we have been responding appropriately to stakeholders' concern and important issues of ethical corporate management.	(1) No difference.
5. If the Company has established its code of practice for ethical corporate management according to "Ethical Corporate Management Best Practice				

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation.

No difference.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding on implementation of the Company’s ethical corporate management (e.g., review the Company’s code of practice for ethical corporate management and etc.).

The Company has been commission KPMG to audit and verify the Company’s financial statements and to disclose various financial and business information on the “Market Observation Post System”, which is Taiwan official disclosure website for all listed companies and the Company’s website to enhance operational transparency.</td></tr>
</table>

3.4.12 For the Company’s code of practice for corporate governance and related regulations

Please refer to our website: www.cppcb.com.tw

3.4.13 For other important information that can enhance the understanding of the implementation of corporate governance

Please refer to our website: www.cppcb.com.tw

3.4.14 Implementation status of internal control system:

(1) Statement on Internal Control System: Appendix 1.

(2) If the Company has commissioned CPAs to review the internal control system, it should disclose their review report: None.

3.4.15 The events in which the Company and its employees were punished according to law and the disciplinary actions the Company has put on its employees for violating the internal control system in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the major wrongdoings and their corrections: None.

3.4.16 Important resolutions of the shareholders' meeting and the board of directors in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

3.4.17 Directors’ or supervisors’ different opinions on the important resolutions of the board of directors, which have been recorded in the board meeting minutes or in a written statement, in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report and their key points: None.

3.4.18 Summary of the resignation or dismissal of the Company's chairperson, CEO, chief accounting officer, CFO, internal auditing officer and executives in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Table of the Resignation or Dismissal of the Company's Key Persons

April 29, 2019

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
	None			

Note: The Company's key persons refer to the chairperson, CEO, chief accounting officer, CFO, internal auditing officer and executives in R&D.

Table of the Resignation or Dismissal of the Persons Involved In Financial Reporting

April 29, 2019

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
	None			

Note: The persons involved in financial reporting refer to the chairperson, CEO, chief accounting officer and internal auditing officer.

3.5 Information on the Company's Audit Fees

3.5.1 Information on Audit Fee

Accounting Firm	Name of CPA		CPAs' Audit Period	Remarks
KPMG Taiwan	Lily Lu	Victor Wang	01/01/2018~12/31/2018	

Unit: NT$ thousand

Fee range \ Fee items		Audit Fee	Non-audit Fee	Total
1	Less than 2,000 thousand		0	0
2	2,000 thousand (inclusive) ~ 4,000 thousand			
3	4,000 thousand (inclusive) ~ 6,000 thousand	5,000		5,000
4	6,000 thousand (inclusive) ~ 8,000 thousand			
5	8,000 thousand (inclusive) ~ 10,000 thousand			
6	Over 10,000 thousand (inclusive)			

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPAs' Audit Period	Remarks
			System design	Company Registration	Human resources	Others	Sum		
KPMG Taiwan	Lily Lu Victor Wang	5,000					0	01/01/2018 ~ 12/31/2018	

3.5.2 State if non-audit fees are more than 25% of the audit fee: None.

3.5.3 State if the Company has replaced the accounting firm and if the audit fee paid in the year after the replacement is less than that in the year before the replacement: No replacement.

3.5.4 State if the audit fee is reduced by more than 15% compared with that in the previous year: None.

3.6 Information on the Change of CPAs

3.6.1 Former CPAs

<table>
<tr><td>Date of Change</td><td colspan="4">March 22, 2017</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="4">Personnel changes in KPMG</td></tr>
<tr><td rowspan="3">State if the appointment is terminated or rejected by the consignor or CPAs.</td><td colspan="2">Party / Status</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="2">The engagement terminated by which party</td><td>V</td><td></td></tr>
<tr><td colspan="2">The engagement rejected by which party</td><td></td><td></td></tr>
<tr><td>The opinions other than unqualified opinion issued in the last two years and the reasons for the said opinions.</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">State if there was any different opinion between CPAs and the issuer.</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting Principle or Practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Auditing Scope or Procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Disclosures specified in Article 10.6.1.4 ~ 10.6.1.7 of “Regulations Governing Information to be Published in Annual Reports of Public Companies”)</td><td colspan="4">None</td></tr>
</table>

3.6.2 Successor CPAs

Accounting Firm	KPMG
CPA	CPA Lily Lu and CPA Victor Wang
Date of Engagement	March 22, 2017
State if there was any consultation with the newly engaged CPAs, prior to the formal engagement with them, regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial statements.	None
The successor CPAs' written opinions that are different from the former CPAs' opinions	None

3.6.3 Former CPAs' reply letter specified in Article 10.5.1 and 10.5.2.3 of "Regulations Governing Information to be Published in Annual Reports of Public Companies": None.

3.7 Where the Company's chairperson, CEO, or any managerial officer in charge of finance or accounting has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a CPA's accounting firm" means one in which CPAs at the accounting firm of the Company's CPAs hold more than 50 percent of the shares, or of which such CPAs hold more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the said accounting firm: None.

3.8 Changes in shareholding of directors, managers and major shareholders with 10% shareholdings or more in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

3.8.1 Net Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Titile	Name	2018		01/01/2019 ~ 04/29/2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson	Huang, Wei-Jin				
Director	Tung, Hsiao-Hung		3,882,000		
Director	Lin, Pi-Chi	(63,000)			
Director	Tseng-Liu, Yu-Chih				
Director	Lai, Hwei-Shan				
Director	Tseng, Wen-Yu				
Independent Director	Chen, Hsiang-Sheng				
Independent Director	Chen, Shi-Shu				
Independent Director	Hsu, Sung-Tsai				
CEO	Huang, Wei-Jin				
VP	Charlie Tseng				
VP	Alan Huang				
VP	Catherine Hsing				
VP	Rachel Lin				
VP	Jack Lin				
Internal Auditing Officer	Candy Sung				

3.8.2 Stock Trade with Related Parties: None.

3.8.3 Stock Pledge with Related Parties: None.

3.9 Related Parties among our Top 10 Shareholders

April 29, 2019

Name (Note 1)	Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between Shareholders (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Fubon Life Insurance Co., Ltd. (its representative: Richard M. Tsai)	26,499,000	6.67							
Taiwan Bank in custody for Hermes Investment Funds Public Limited Company	21,503,000	5.41							
Huang, Wei-Jin	13,238,409	3.33	2,642	0.00					
Tseng-Liu, Yu-Chih	9,603,279	2.42	1,660,422	0.42					
Jih Sun Securities Co., Ltd. (its representative: James C.Tang)	9,553,000	2.40							
Lin, Pi-Chi	8,038,649	2.02	2,645,839	0.67					
HSBC in custody for Global Emerging Markets Customized Equity of Eastspring Investments	7,582,000	1.91							
HSBC in custody for Invesco Greater China Fund	7,035,000	1.77							
Tung, Hsiao-Hung	6,308,043	1.59							
Lai, Hwei-Shan	6,283,114	1.58							

Note 1: The top 10 shareholders should be listed (If one of them is an institutional shareholder, the name of the institutional shareholder and its representative should be listed simultaneously).

Note 2: The total of the shareholding of a shareholders, his/her spouse and minor children and other shareholders by nominee arrangement shall be used in the calculation of the shareholding ratio of a shareholder.

Note 3: The relationship among the shareholders listed in the above table, including shareholders and institutional shareholders, should be disclosed.

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

March 31, 2019
Unit: Shares; %

Investee (Note1)	Ownership by the Company (A)		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (B)		Total Ownership (A) + (B)	
	Shares	%	Shares	%	Shares	%
Vega International Enterprise Co.,LTD	131,242,925	100%			131,242,925	100%
Chin Poon Holdings Cayman Limited			92,354,035 (Note1)	100%	92,354,035	100%
Chin-Poon (Changshu) Electronics Co., Ltd			120,000,000 (Note1)	100%	120,000,000	100%
Chin Poon Japan Co., Ltd.	180	100%			180	100%
Draco PCB Public Co. Ltd	416,761,385	99.58%			416,761,385	99.58%

Note 1: The following are investees indirectly owned by the Company:
Chin Poon Holdings Cayman Limited has a share capital of US$ 92,354,035.
Chin-Poon (Changshu) Electronics Co., Ltd has a share capital of US$ 120,000,000.

4. Information on Shares

4.1 Capital and Shares

4.1.1 Source of Share Capital (up to the date of publication of the annual report)

Unit: Shares; NT$

Year/ Month	Par Value (NT$)	Authorized Share Capital		Share Capital		Remark					
						Source of Share Capital				Payment for Shares by Assets Other than Cash	Other (Note 3)
		Shares	Amount	Shares	Amount	Cash	Retained Earnings	Capital Surplus	Conversion of Convertible Bonds		
1996/8	10	70,000,000	700,000,000	61,050,000	610,500,000	-	33,300,000	22,200,000	0	0	0
1997/8	10	170,000,000	1,700,000,000	96,312,500	963,125,000	200,000,000	152,625,000	-	0	0	0
1998/8	10	170,000,000	1,700,000,000	145,206,250	1,452,062,500	200,000,000	192,625,000	96,312,500	0	0	0
1999/8	10	260,000,000	2,600,000,000	174,247,500	1,742,475,000	-	145,206,250	145,206,250	0	0	0
2000/8	10	260,000,000	2,600,000,000	200,384,625	2,003,846,250	-	87,123,750	174,247,500	0	0	0
2001/7	10	300,000,000	3,000,000,000	232,372,201	2,323,722,010	-	119,491,140	200,384,620	0	0	0
2002/8	10	380,000,000	3,800,000,000	271,242,921	2,712,429,210	-	156,335,000	232,372,200	0	0	0
2003/1	10	380,000,000	3,800,000,000	274,852,991	2,748,529,910	-	-	-	36,100,700	0	0
2003/7	10	380,000,000	3,800,000,000	305,027,493	3,050,274,930	-	95,605,280	206,139,740	0	0	0
2003/10	10	380,000,000	3,800,000,000	305,049,232	3,050,492,320	-	-	-	217,390	0	0
2004/1	10	380,000,000	3,800,000,000	305,099,231	3,050,992,310	-	-	-	499,990	0	0
2004/5	10	380,000,000	3,800,000,000	305,462,867	3,054,628,670	-	-	-	3,636,360	0	0
2004/9	10	450,000,000	4,500,000,000	330,553,310	3,305,533,100	-	22,080,010	228,824,420	-	0	0
2004/10	10	450,000,000	4,500,000,000	331,326,703	3,313,267,030	-	-	-	7,733,930	0	0
2005/6	10	450,000,000	4,500,000,000	348,969,211	3,489,692,110	-	43,894,400	132,530,680	-		
2005/12	10	450,000,000	4,500,000,000	330,490,346	3,304,903,460	-	-	-	-	0	(184,788,650)
2005/12	10	450,000,000	4,500,000,000	332,542,147	3,325,421,470	-	-	-	20,518,010	0	0
2006/4	10	450,000,000	4,500,000,000	343,194,943	3,431,949,430	-	-	-	106,527,960	0	0
2006/7	10	450,000,000	4,500,000,000	343,785,610	3,437,856,100	-	-	-	5,906,670	0	0
2006/10	10	450,000,000	4,500,000,000	348,246,806	3,482,468,060	-	-	-	44,611,960	0	0
2007/5	10	450,000,000	4,500,000,000	382,884,998	3,828,849,980	-	-	-	346,381,920	0	0
2007/7	10	450,000,000	4,500,000,000	409,237,088	4,092,370,880	-	-	-	263,520,900	0	0

2007/10	10	450,000,000	4,500,000,000	412,764,322	4,127,643,220	-	-	-	35,272,340	0	0
2008/9	10	450,000,000	4,500,000,000	406,079,322	4,060,793,220	-	-	-	-	0	(66,850,000)
2008/12	10	450,000,000	4,500,000,000	397,579,322	3,975,793,220	-	-	-	-	0	(85,000,000)
2009/9	10	450,000,000	4,500,000,000	397,976,420	3,979,764,200	-	3,970,980	-	-	0	0
2009/11	10	450,000,000	4,500,000,000	397,495,420	3,974,954,200	-	-	-	-	0	(4,810,000)

Note 1: The Company's share capital in 1995 was NT$ 555,000,000.

Note 2: The Company's previous fundraisings were approved according to the following letter: 85.07.02 (85) Taiwan Finance and Securities (1) Letter No. 41277, 86.05.30 (86) Taiwan Finance and Securities (1) Letter No. 39311, 87.05.21 (87) Taiwan Finance and Securities (1) Letter No. 39137, 87.05.27 (87) Taiwan Finance and Securities (1) Letter No. 46114, 88.07.07 (88) Taiwan Finance and Securities (1) Letter No. 61438, 89.06.15 (89) Taiwan Finance and Securities (1) Letter No. 51185, 90.05.17 (90) Taiwan Finance and Securities (1) Letter No. 130493, 91.06.12 (90) Taiwan Finance and Securities (1) Letter No. 0910131911, 92.01.27 Taiwan Securities Upward Letter No. 0920001822, 92.07.01 Taiwan Finance and Securities (1) Letter No. 0920129138, 92.10.27 Taiwan Securities Upward Letter No. 0920027311, 93.2.3 Taiwan Securities Upward Letter No. 0930001797, 93.5.14 Taiwan Securities Upward Letter No. 0930012041, 93.07.6 Securities and Futures (1) Letter No. 0930129618, 93.10.28 Taiwan Securities Upward Letter No. 0930027762, 94.6.9 FSC Securities (1) Letter No. 0940123159, 94.12.08 Taiwan Securities Upward Letter No. 09400349981, 95.2.6 Taiwan Securities Upward Letter No. 0950002547, 95.4.27 Taiwan Securities Upward Letter No. 0950008649, 95.7.27 Taiwan Securities Upward Letter No. 09500197291, 95.10.26 Taiwan Securities Upward Letter No. 09500282201, 96.05.14 Taiwan Securities Upward Letter No. 0960011571, 96.08.06 Taiwan Securities Upward Letter No. 09000623231, 96.10.24 Taiwan Securities Upward Letter No. 9630015051, 97.9.23 Taiwan Securities Upward Letter No. 09900286131, 98.1.7 Taiwan Securities Upward Letter No. 09800000241, 98.7.2 FSC Securities Letter No. 0980032975 and 98.11.25 Taiwan Securities Upward Letter No. 09800300791.

Note 3: Other in December 2005 was the retired treasury stocks of 11,602,000 shares bought back by the Company and of 6,876,865 shares acquired through the merger with Shunhong Co., Ltd. Others in September of 2008, December of 2008 and November of 2009 were the retired treasury stocks bought back by the Company.

April 29, 2019
Unit: share

Type of Stock	Authorized Share Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	397,495,420	52,504,580	450,000,000	Listed

4.1.2 Composition of Shareholders

April 29, 2019

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	2	5	92	31,685	225	32,009
Shareholding	1,933,000	34,492,000	22,306,617	203,151,682	135,612,121	397,495,420
Holding Percentage (%)	0.49%	8.68%	5.61%	51.10%	34.12%	100.00%

4.1.3 Distribution Profile of Ownership

Par Value NT$ 10

April 29, 2019

Ownership of a Single Shareholder (Unit: Share)	Number of Shareholders	Subtotal Ownership	Subtotal Ownership (%)
1 ~ 999	12,187	1,501,268	0.38%
1,000 ~ 5,000	14,815	31,615,911	7.96%
5,001 ~ 10,000	2,551	19,798,068	4.98%
10,001 ~ 15,000	821	10,290,023	2.59%
15,001 ~ 20,000	476	8,782,493	2.21%
20,001 ~ 30,000	375	9,537,372	2.40%
30,001 ~ 40,000	178	6,275,728	1.58%
40,001 ~ 50,000	119	5,533,515	1.39%
50,001 ~ 100,000	210	15,115,593	3.80%
100,001 ~ 200,000	118	16,974,024	4.27%
200,001 ~ 400,000	56	15,950,412	4.01%
400,001 ~ 600,000	31	15,075,924	3.79%
600,001 ~ 800,000	13	8,846,483	2.23%
800,001 ~ 1,000,000	12	11,023,661	2.77%
1,000,001 and more	47	221, 174,945	55.64%
Total	32,009	397,495,420	100.00%

4.1.4 Major Shareholders

April 29, 2019
Unit: share

Shares / Shareholders	Total Shares Owned	Shareholding (%)
Fubon Life Insurance Co., Ltd. (its representative: Richard M. Tsai)	26,499,000	6.67%
Taiwan Bank in custody for Hermes Investment Funds Public Limited Company	21,503,000	5.41%
Huang, Wei-Jin	13,238,409	3.33%
Tseng-Liu, Yu-Chih	9,603,279	2.42%
Jih Sun Securities Co., Ltd. (its representative: James C.Tang)	9,553,000	2.40%
Lin, Pi-Chi	8,038,649	2.02%
HSBC in custody for Global Emerging Markets Customized Equity of Eastspring Investments	7,582,000	1.91%
HSBC in custody for Invesco Greater China Fund	7,035,000	1.77%
Tung, Hsiao-Hung	6,308,043	1.59%
Lai, Hwei-Shan	6,283,114	1.58%

4.1.5 Market Price, Net Worth, Earnings, and Dividends Per Common Share in the Most Recent Two Years

Item / Year			2017	2018	01/01/2019 ~ 03/31/2019 (Note 8)
Market Price Per Share (Note 1)	Highest Market Price		65.00	59.60	59.6
	Lowest Market Price		53.60	31.85	50.4
	Average Market Price		59.74	42.49	54.74
Net Worth Per Share (Note 2)	Before Distribution		40.68	38.86	39.37
	After Distribution		38.43	(Note 2)	(Note 2)
Earnings Per Share	Weighted Average Shares (thousand shares)		397,495	397,495	397,495
	Earnings Per Share (Note 3)		3.78	0.41	0.11
Dividends Per Share	Cash Dividends		2.25	(Note 2)	(Note 2)
	Stock Dividend	From retained earnings	0	(Note 2)	(Note 2)
		From capital surplus	0	(Note 2)	(Note 2)
	Accumulated Undistributed Dividend (Note 4)		0	0	0
Return on Investment	Price/Earnings Ratio (Note 5)		15.80	103.63	92.25
	Price/Dividend Ratio (Note 6)		26.55	(Note 2)	(Note 2)
	Cash Dividend Yield (Note 7)		3.74	(Note 2)	(Note 2)

Note 1: The highest and lowest market prices of common stocks for each year are listed, and the average market price for each year is calculated based on the market price and trade volume of each year.

Note 2: The number of shares that have been issued at the end of the year and the profit distribution approved by the shareholders' meeting next year are used in the calculation.

Note 3: If there is a diluting adjustment due to stock dividend, the earnings per share and the diluted earnings per share should be listed.

Note 4: If there are any term in issuance of equity securities, which allows the Company to hold payment of dividend until the year when there is profit, the Company should separately disclose the accumulated undistributed accrued dividend up to the end of the year.

Note 5: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 6: Price/Dividend Ratio = Average Market Price / Cash Dividend Per Share

Note 7: Cash Dividend Yield = Cash Dividend Per Share / Average Market Price

Note 8: The book value per share and earnings per share in the latest quarterly reviewed financial statements in the current year should be presented. The information in the other fields should have the data in the current year until the date of publication of the annual report.

4.1.6 Dividend Policy and Distribution of Earnings

4.1.6.1 Dividend Policy in the Company's Articles of Incorporation

The Company's Articles of Incorporation before 2015 has stipulated as follows:

Should there be any remaining earnings after making the final settlement of account every year, after allocating for tax payments according to law, they shall first be used to cover losses for preceding years, and then setting aside 10% for legal reserve. However, when the cumulative legal reserve has reached the amount of paid-in capital, no more legal reserve shall be allocated. Should there still be remaining earnings, the allocation of a special reserve may be considered or they shall simply be retained. Among the rest of the remaining earnings, the total remunerations for directors and supervisors shall range from 0.5% to 5%, and the bonus to employees shall range from 2% to 10%, and the dividends or bonuses to shareholders shall range from 20% to 80%; the rest is unallocated remaining earnings. The specific part of remaining earnings, which is transferred back from special earnings reserve after the purpose of setting aside special earnings reserve has been satisfied or the cause of setting aside special earnings reserve has been ruled out, is allowed to be distributed as dividends or bonuses. If shareholders are not allotted with stock dividends, the employees shall not be allotted with stock bonus. The employees for bonus distribution shall include qualified employees of subsidiary companies, and the bonus distribution plan for these employees shall be decided by the board of directors.

According to Company Act amended in May 2015, the compensation for employees and the remuneration of directors are not in the category of the profit distribution approved by the shareholders' meeting. The Company has amended its Articles of Incorporation, which was approved by the shareholders' meeting on June 14, 2016, to comply with the newly amended Company Act. The amended articles in its Articles of Incorporation are as follows:

Article 25 " When the Company makes profits in a year, 2%~10% of the yearly profits shall be allocated for employee bonuses, and not more than 3% of the yearly profits for the remuneration of directors. However, when the company has accumulated losses, the profit shall be used to cover the accumulated losses beforehand. The employees for bonus distribution shall include qualified employees of subsidiary companies."

Article 26 " Should there be any remaining earnings after making the final settlement of account every year and after allocating for tax payments according to laws, they shall first be used to cover accumulated losses, and then setting aside 10% for legal reserve. However, when the cumulative legal reserve has reached the amount of paid-in capital, no more legal reserve shall be allocated. Should there still be remaining earnings, a special reserve can be allocated because of operational consideration and regulatory imperatives. Among the rest of the remaining earnings of the yearly profits, the dividends or bonuses to shareholders shall range from 20% to 80%, The rest is unallocated remaining earnings and will be added to the remaining earnings of previous years. The board can make a proposal of distributing those remaining earnings for the Shareholders' Meeting to approve."

The distribution ratio of cash dividends in the Company's Articles of Incorporation is also clearly defined as follows:

" The dividend policy shall take into consideration the actual business environment and stage of business growth. The board of directors shall prepare and submit the specific distribution plans for implementation after approval by the Shareholders' Meeting, in view of future fund needs and the financial plans under the optimal principle of cash dividend and stock dividend. The cash dividend shall not be less than 20% of the total current-time Distribution, and shall not be less than 50% of the total current-time Distribution if the Company can acquire enough external financing. The actual distribution amount, category and proportions of the earnings shall be decided and adjusted per actual profitability and capital status and be resolved by the Shareholders' Meeting."

4.1.6.2 Proposal for Distribution of 2018 Profits and Retained earnings

Cash Dividend:
It is proposed to allocate NT$ 198,747,710 from the 2018 profits and the retained earnings and to distribute a cash dividend of NT$0.5 per share to the shareholders. The total amount of cash dividend is NT$ 198,747,710.

4.1.7 Impact on Business Performance and EPS Resulting from the Proposal for Stock Dividend

Not applicable.

4.1.8 Compensation for Employees and Remuneration for Directors and Supervisors

4.1.8.1 The Percentage and range of Compensation for Employees and of Remuneration for Directors and Supervisors

The Company's Articles of Incorporation before 2015 has stipulated as follows:

> Should there be any remaining earnings after making the final settlement of account every year, after allocating for tax payments according to law, they shall first be used to cover losses for preceding years, and then setting aside 10% for legal reserve. However, when the cumulative legal reserve has reached the amount of paid-in capital, no more legal reserve shall be allocated. Should there still be remaining earnings, the allocation of a special reserve may be considered or they shall simply be retained. Among the rest of the remaining earnings, the total remunerations for directors and supervisors shall range from 0.5% to 5%, and the bonus to employees shall range from 2% to 10%, and the dividends or bonuses to shareholders shall range from 20% to 80%; the rest is unallocated remaining earnings. The specific part of remaining earnings, which is transferred back from special earnings reserve after the purpose of setting aside special earnings reserve has been satisfied or the cause of setting aside special earnings reserve has been ruled out, is allowed to be distributed as dividends or bonuses. If shareholders are not allotted with stock dividends, the employees shall not be allotted with stock bonus. The employees for bonus distribution shall include qualified employees of subsidiary companies, and the bonus distribution plan for these employees shall be decided by the board of directors.

According to Company Act amended in May 2015, the compensation for employees and the remuneration of directors are not in the category of the profit distribution approved by the shareholders' meeting. The Company has amended its Articles of Incorporation, which was approved by the shareholders' meeting on June 14, 2016, to comply with the newly amended Company Act. The amended articles in its Articles of Incorporation are as follows:

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4.1.8.2 The basis for accruing the compensation for employees and the remuneration for directors and supervisors in the current period and the accounting for handling the difference between the amount of actual payment, which include the estimated value for employees' stock bonus and the payment of cash bonus, and the accrued amount of employees' compensation:

(1) The basis for accruing the compensation for employees and the remuneration for directors and supervisors:

It is in accordance with the Company's Articles of Incorporation.

(2) The accounting for handling the difference between the amount of actual payment, which include the estimated value for employees' stock bonus and the payment of cash bonus, and the accrued amount of employees' compensation:

There is no employees' stock bonus for this period and no difference between the amount of actual payment and the accrued amount of employees' compensation.

4.1.8.3 Resolution of Employees' Compensation and Directors' Remuneration Approved by the Board of Directors

(1) If the amount of employees' compensation and directors' remuneration in cash or in stock is different from the accrued amount of them, the difference, its reason and the accounting of handling it should be disclosed:

The proposed amount of the compensation of employees in cash is NT$ 5,312,959 and the proposed amount of the remuneration of directors in cash is NT$ 2,680,000. There are no differences between the amount proposed by the board of directors and the amount of expense for the compensation and the remuneration accrued in the 2018 financial statements of the Company.

(2) The proportion of the employees' stock bonus to the total net income and to the total amount of employee compensation in the 2018 parent company only financial statements of the Company:

There was no employees' stock bonus from the 2018 profit.

(3) The earnings per share after deducting employees' compensation and directors' remuneration in cash or in stock:

It is NT$ 0.41.

4.1.8.4 The distribution of employees' compensation and directors' remuneration in the previous year (including the number of shares, amount and share price): If the amount of employees' compensation and directors' remuneration in cash or in stock were different from the accrued amount of them, the difference, its reason and the accounting of handling it should be disclosed.

(1) The distribution of employees' compensation and directors' remuneration in the previous year:

Unit: NT$

	Resolution by the shareholders' meeting	Resolution by the board of directors	Difference	Reason
A. Distribution				
1. Employees' Compensation	71,807,113	71,807,113	0	-
2. Directors' Remuneration	11,340,000	11,340,000	0	-
B.Earnings Per Share on 2017				
Earnings Per Share in the income statement	3.78	3.78	0	-

(2) If the amount of employees' compensation and directors' remuneration in cash or in stock were different from the accrued amount of them, the difference, its reason and the accounting of handling it should be disclosed:

The amount of the compensation of employees in cash and the amount of the remuneration of directors in cash were NT$ 71,807,113 and NT$ 11,340,000. There are no differences between the amount approved by the shareholders' meeting and the amount of expense for the compensation and the remuneration accrued in the 2017 financial statements of the Company.

4.1.9 Share Repurchases

Round	3rd round
Purpose	For transferring shares to the Company's employees
Duration	Aug. 11, 2006 ~ Oct. 10, 2006
Price Range	NT$ 15 ~ 28
Type and Quantity of shares repurchased	Common Stock, 6,000,000 shares
Total Value of Shares Repurchased	NT$ 125,071,721
The Number of Shares Retired or Resold	6,000,000 shares
Quantity of Total Treasury Stock Holdings	-
Total Treasury Stock Holdings as A Percentage of Total Shares Issued (%)	-

Note: In order to motivate employees, the Company decided to buy back common stock from August 11, 2006 to October 10, 2006 and then spent NT$125,071,721 to buy back 6,000,000 shares. After 5,519,000 shares have been transferred to employees, the remaining 481,000 shares were retired in November, 2009 due to their having missed the transfer period.

4.1.10 Implementation of the Resolutions of the Shareholders' Meeting

Date	Resolutions	Implementation
June 29, 2018	Resolution for Distribution of 2017 Profits (a cash dividend of NT$ 2.25 per share)	The Company has set the ex-dividend date at August 6, 2018 and has paid the cash dividends on September 5, 2018.

4.2 Issuance of Corporate Bonds.

The convertible bonds were issued on July 24, 2002 and has expired on July 24, 2007.

4.3 Issuance of Preferred Shares

None.

4.4 Issuance of Global Depository Receipts.

None.

4.5 Employee Subscription Warrants

None.

4.6 New Restricted Employee Shares.

None.

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies.

None.

4.8 Financing Plans and Implementation.

None.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Main Business

(1) Manufacturing, processing and sale of printed circuit boards and electronic materials.
(2) Manufacturing, processing and sale of punching machines and press dies for printed circuit boards.
(3) Manufacturing, processing and sale of insulation boards.
(4) Importing and exporting of the aforesaid items.

5.1.1.2 Business Breakdown:

The Company’s main business is manufacturing, processing and trading of printed circuit boards. They accounted for approximately 100% of its business in 2018.

5.1.1.3 Products:

Single-sided, double-sided, multi-layer printed circuit boards and HDI.

5.1.1.4 New Products Development:

Refer to 5.1.3.3 “Upcoming R&D Plans”.

5.1.2 Industry Overview:

5.1.2.1 The Industry's Current Situation and Development

The Industry of printed circuit board (PCB), which is one of the main components of all electronic products, has been known as the "mother of electronics". Moreover, the PCB industry is the leader of Taiwan's top five electronic components industry. The overall production value of Taiwan's electronic components in 2018 is estimated to be NT$1 trillion. And the printed circuit board is the largest electronic component product among them. In 2018, the production value of Taiwan's PCB makers was NT$ 651.4 billion in Taiwan and overseas. That is more than twice that of the passive components industry, which is the second largest electronic component industry in Taiwan. The PCB industry is one of the most complete industry cluster in Taiwan. It is also one of the industries with the most listed companies in Taiwan.

According to the IEK statistics of the Industrial Technology Research Institute (ITRI), the production value of Taiwan's PCB makers in Taiwan totaled NT$ 651.4 billion in 2018, an increase of 5.2% year-on-year. It is obvious that Taiwan's PCB industry has grown a little last year.

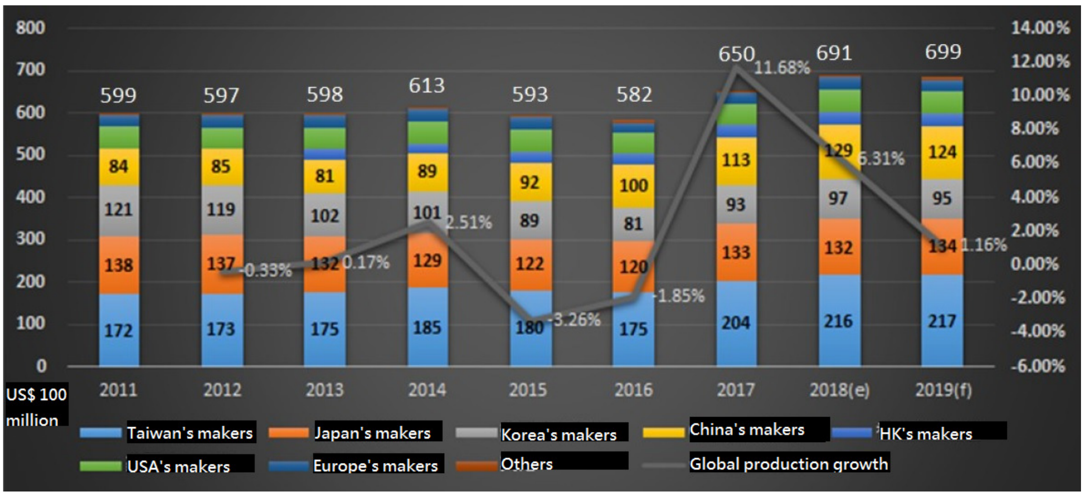
Figure 1 Global PCB Production Value by Region

World PCB Forecast 2011-2017 (Revised on Jan 10, 2018)

Major Regions	2011	2012	2013	2014	2015	2016	2017(F)	17/16
Americas	3,376	3,156	3,100	3,078	2,928	3,000	3,135	4.50%
Germany	1,248	1,075	1,090	1,097	900	930	980	5.40%
Other Europe	1,913	1,840	1,720	1,640	1,468	1,500	1,510	0.70%
China	25,464	25,530	26,551	28,200	28,605	28,030	30,600	8.85%
Japan*	9,445	8,624	6,300	5,930	5,092	5,240	5,200	0%
Taiwan	8,020	7,995	8,155	7,850	7,810	7,500	7,850	4.70%
S. Korea	6,825	7,992	8,870	7,597	6,700	6,890	7,235	5%
Thailand	1,357	1,298	1,747	2,209	2,470	2,320	2,680	15.50%
Other Asia	2,275	2,287	2,247	2,622	2,582	2,710	2,945	8.70%
World Total	**59,923**	**59,797**	**59,780**	**60,223**	**58,555**	**58,120**	**62,135**	**6.90%**

Source: N.T. Information (Jan. 2018)

Figure 2 Global PCB Production Value by Makers' Nationality



Source: TPCA and IEK (Jan. 2019)

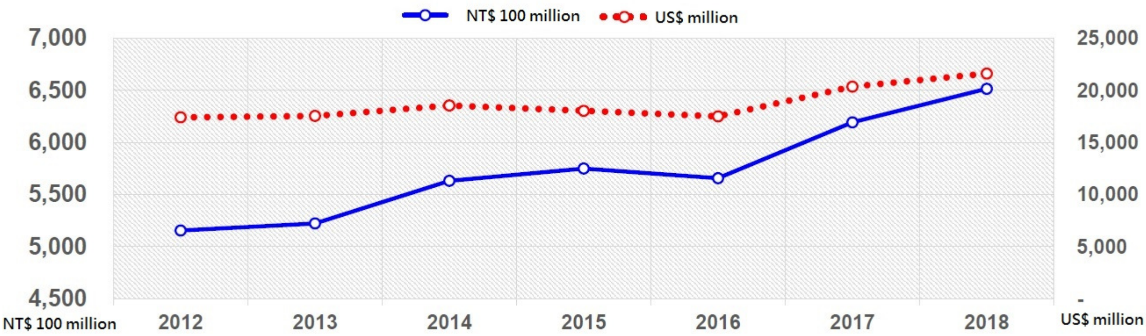
Since 2000, many PCB makers in the United States and Europe have closed their production. Due to the price and quality advantages, Taiwan' PCB makers have been taking business from international manufacturers who consider cost reduction under the recession. In particular, the huge demand for consumer electronics in emerging regions has caused a large influx of PCB orders into Asia and resulted in the prosperity of the PCB industry in Asia since the second half of 2005. However, these orders mainly went to PCB makers located in China. The total production value of PCB in Taiwan and in China is estimated to have reached 61% of the global production value in 2018. PCB production in Taiwan and in China has become the dominant force in the PCB industry. Taiwan's PCB makers are among the major players.

TPCA and IEK estimated that the global PCB growth rate was 5.31% in 2018, which means that global PCB production value exceeded US$ 69.1 billion in 2018.

Looking forward to the next year, the global economy still has a variety of uncertainties. However, with the continual expansion of the global electronics industries, TPCA and IEK estimated that the global PCB production value will grow by 1.16% in 2019. IEK estimates that the Taiwan PCB's production value in 2019 is expected to reach NT$ 611.1 billion with a growth rate of 1.50%. Considering the fact that Taiwan's PCB industry has survived several economic cycles and it has been expanding its market share, Taiwan's PCB industry benefiting from the future growth of the electronics industry will still be able to obtain stable profits under the advantage of cost reduction and of competitive capacity both in Taiwan and in China.

Figure 3 Taiwan PCB Production Value

	2013	2014	2015	2016	2017	2018	2019(e)
NT$ 100 million	5,222	5,631	5,749	5,656	6,192	6,514	6,611
Y/Y (NT)	1.32%	7.83%	2.10%	-1.62%	9.5%	5.2%	+1.5%
US$ million	17,541	18,541	18,025	17,495	20,348	21,601	21,675
Y/Y (US)	0.78%	5.71%	-2.78%	-2.93%	16.3%	6.2%	+1.0%
匯率	29.77	30.37	31.90	32.33	30.4	30.16	30.5

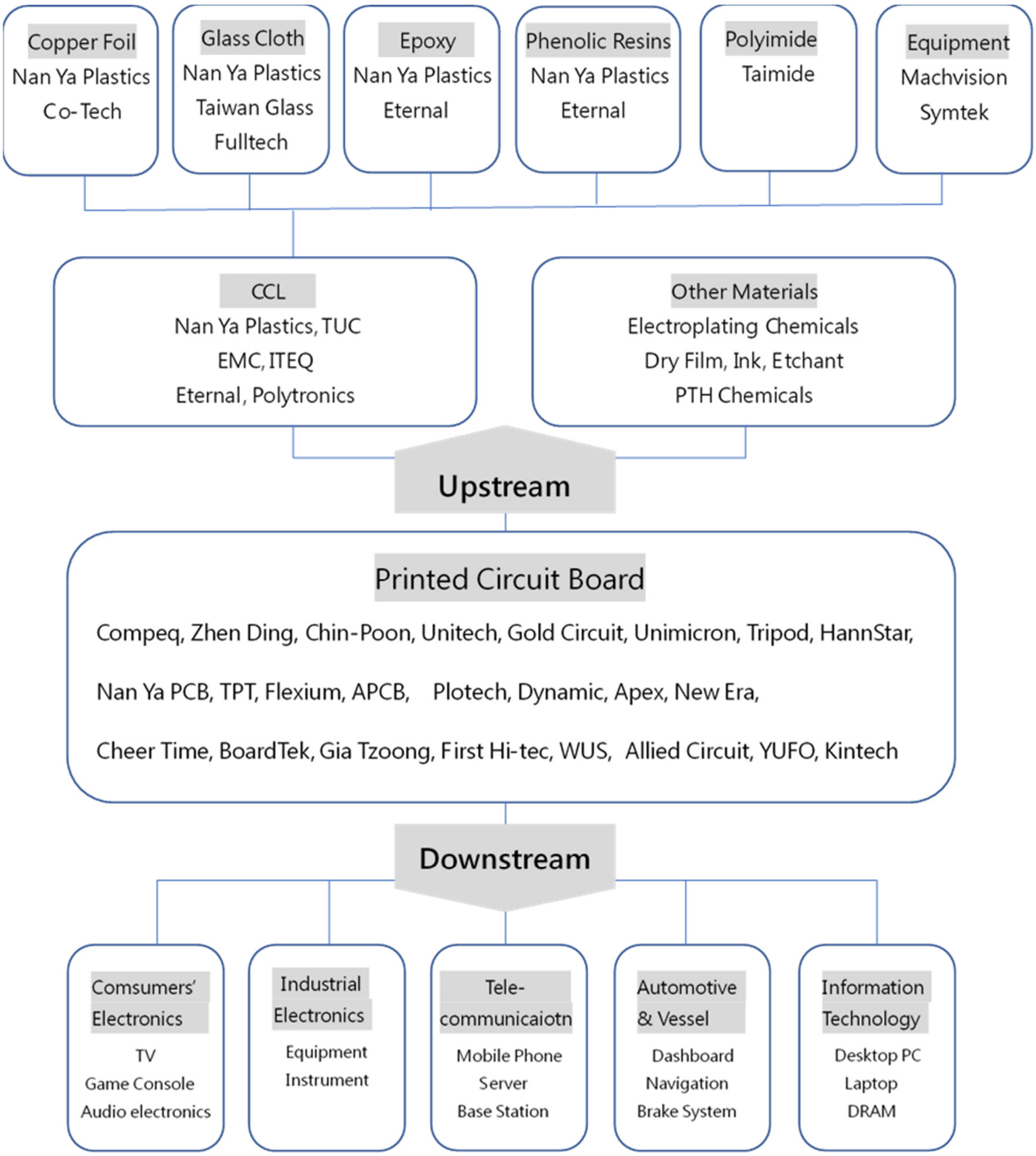


Source: TPCA & IEK (Feb. 2019)

5.1.2.2 Supply Chain of PCB Industry

The PCB industry produces printed circuit boards that carry electronic components. Upstream of the PCB industry, there are makers of CCL (copper clad laminates), such as paper base copper clad laminates and epoxy fiberglass fabric copper clad laminate, and manufacturers of dry film, ink, and etching liquid and etc. More upstream of them, there are manufacturers of copper foil, fiberglass cloth, epoxy resin and other materials. Downstream of the PCB industry, there are manufacturers of home appliances, consumer electronics, computers, telecommunications, and electronic components for vehicles and ships.

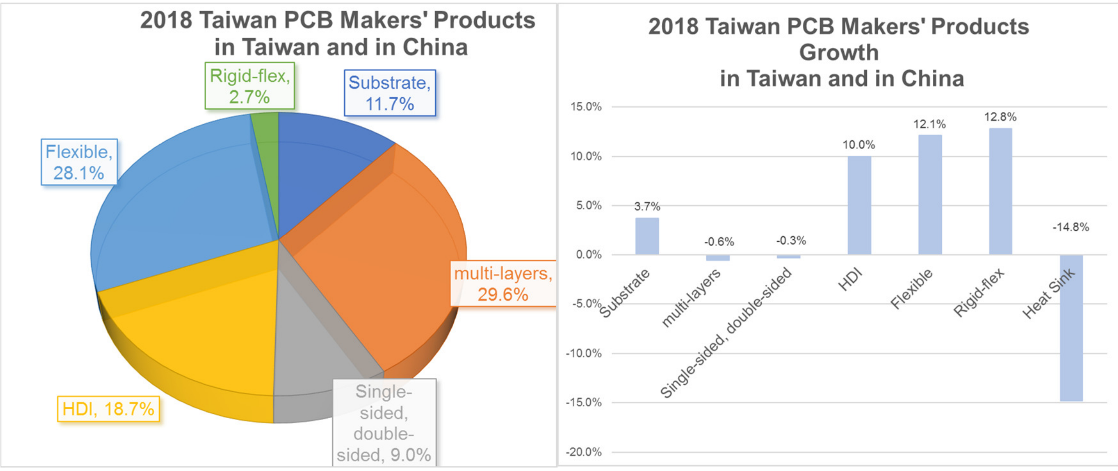
Diagram of PCB Industry Supply Chain



5.1.2.3 Products Development Trends and Competition

According to IEK's statistics, the composition of products in Taiwan's PCB industry can be divided into rigid boards, flexible boards and substrates. Their trends of output value changes are shown in Figure 1. Rigid boards are still the mainstream products due to their low price and wide application. However, the growth of Taiwan PCB makers' capacity expansion for rigid boards will slow down in the future. There is no more waste water permit approved in China's PCB industry clusters where Taiwan PCB makers has been expanding their capacity. Taiwan PCB makers' production of substrate is extremely low overseas. They have even converted their domestic capacity of rigid boards to manufacture substrates. It is expected that the growth of Taiwan's PCB makers' substrates business will mainly come from domestic production in Taiwan. The production of flexible boards in Taiwan is mainly composed of rigid-flex boards and multi-layer flexible boards. The application of flexible boards was based on the development of NB-related products in the past and has been already focused on mobile phones, game consoles and digital cameras that have relatively high margin. Overall, the supply of PCBs will slow down. But it is expected that supply and demand of PCB will be balanced because the global economy can only get a modest growth.

Figure 1 The Weights of Various PCB Products Manufactured by Taiwan PCB Makers in Taiwan and in China



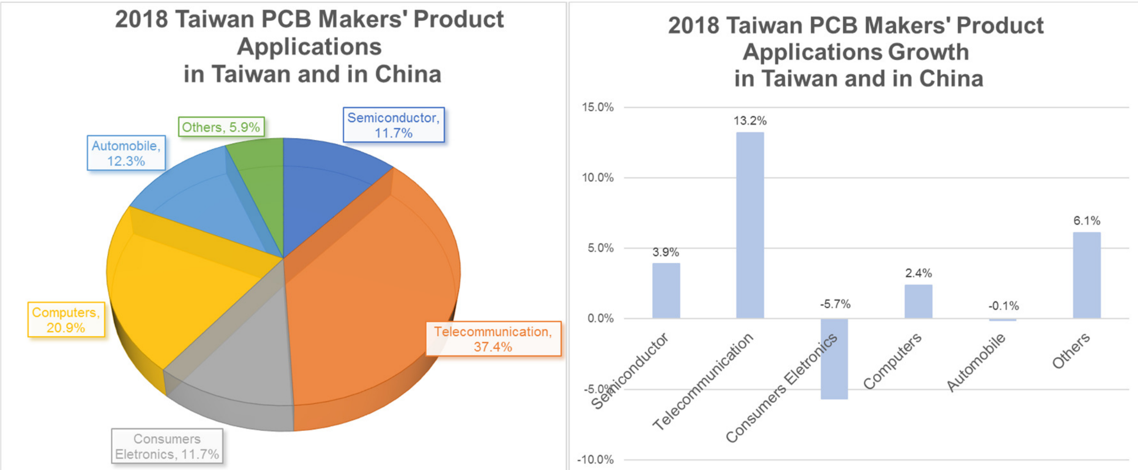
Source: TPCA & IEK (Feb. 2019)

Taiwan PCB makers' products applications were concentrated on the IT-related PCBs in the past. However, due to the rapid decline in the price of the IT-related PCBs in recent years, Taiwan PCB makers has been developing new products in more applications. According to the 2018 statistics of TPCA and IEK telecommunication ranked first in the application of PCBs, accounting for 37.4%; computers ranked second, accounting for 20.9%; automobile electronics ranked third, accounting for 12.3%; consumers electronics ranked fourth, accounting for 11.7%; semiconductor ranked fifth, accounting for 11.7%. The top five applications, which accounted for a high proportion of 94% in 2018, show that the Taiwan PCB industry mainly supplies large-volume products in the market.

As far as the applications of Taiwan PCB makers are concerned, PCB used in computers, consumers electronics and telecommunication accounted for 70.0%

of the total PCB output value, semiconductor substrates accounted for 11.7%, and automotive-related boards accounted for 12.3%. The other applications in defense products, industrial electronics and medical electronics accounted for only about 5.9%. Their weights are shown in Figure 2.

Figure 2 Taiwan PCB Makers' Products Applications



Source: TPCA & IEK (Feb. 2019)

5.1.3 Technology and R&D Overview

5.1.3.1 The research and development expenses invested by the Company in 2018 and 2019 up to the date of publication of the annual report are NT$ 129,845 thousand and NT$ 29,539 thousand respectively.

5.1.3.2 Results of R&D in 2018

A. Development of modified copper inlay process for cost reduction
B. Middle/High current carrying PCB - Mini-busbar
C. Partial thermal management PCB – Inlay + Blind Vias
D. Partial thermal management PCB – Square inlay
E. Partial thermal management PCB – Convex
F. Development of Rigid-flex
G. Development of Cavity PCB
H. Assisting overseas factories to upgrade their capabilities
I. Other projects for improving manufacturing

5.1.3.3 Future R&D plan and R&D Budget

- Future R&D plan:
  - Development of Mid./High current carrying PCBs
  - Development of partial heat dissipation PCBs
  - Development of special flexible PCBs
  - Development of high frequency PCBs
  - Development of cavity PCB
  - Evaluation of direct pattern plating for cost reduction
  - Evaluation of thermally conductive materials for EPS PCB
  - Evaluation of automatic robotic arm for precise handling and automatic process flow of production

- R&D Budget:
  The R&D budget is NT$ 129,432 thousand.

5.1.3.4 R&D Expenses as a Percentage of Revenue in the Last Two Years

R&D Expenses as a Percentage of Revenue

Unit: NT$ thousand; %

Year	R&D Expenses	% of Revenue
2017	132,510	0.56%
2018	129,845	0.64%
As of March 31, 2019	29,539	0.63%

5.1.4 Long-term and Short-term Business Development Plans.

5.1.4.1 Short-term Business Development Plan

(1) Maintain the current business direction of exporting to Europe, America and Japan, and avoid the market of intensive price competition in Taiwan and in China.
(2) Increase products diversification to meet customers' development strategy and their demand for total solutions.
(3) Maintain the leading advantages in single-sided and double-sided boards, and expand the revenue of high value-added products.
(4) Continue to develop niche markets such as heavy copper boards, metal PCBs, and high current carrying PCBs.
(5) Continue to develop the auto PCB market and enhance our comprehensive services.

5.1.4.2 Long-term Business Development Plan

(1) Build a cluster of Asian manufacturing sites. We are planning to simultaneously expand the manufacturing sites in Taiwan, in China and in Thailand in the next 2-3 years. Our new plant in Changshu, China, with a total investment of NT$ 2.1 billion, is expected to start mass production in 2019. There is still plenty of room for our capacity expansion in the future. We have increased our ownership on Draco, our manufacturing site in Thailand, to 99.58% in 2017. We are planning to build more capacity in Thailand. New capacity in Thailand has a very important significance to our strategy of grasping the opportunities of Southeast Asia and South Asia, providing extra capacity to our manufacturing site in Taiwan and Mainland China, and becoming our main source of future growth.
(2) Continue to expand the niche market of printed circuit board (PCB) for automobiles, which has a higher entry barrier for our competitors, and become a professional manufacturer of automotive PCBs.
(3) Continue to develop various niche markets such as heavy copper boards, metal PCBs, high frequency PCBs and high current carrying PCBs to maintain high margins.
(4) Continue to develop a variety of HDIs to meet the large demand for slim type of electronics in the future.
(5) Continue to strengthen the automation and smart manufacturing to enhance the quality of products and the flexibility of production.

5.2 Market Overview and Our Production and Sales

5.2.1 Market Overview

5.2.1.1 Our Sales by Region

Unit: NT$ thousand

Year	2018		2017		2016	
Region	Amount	%	Amount	%	Amount	%
America	4,392,241	21.77%	5,485,494	23.20%	5,914,280	24.70%
Europe	7,564,435	37.50%	8,681,681	36.72%	8,538,741	35.67%
Asia	6,115,888	30.32%	7,177,285	30.35%	7,263,171	30.34%
Others	2,101,324	10.41%	2,301,151	9.73%	2,223,507	9.29%
Total	20,173,888	100.00%	23,645,611	100.00%	23,939,699	100.00%

5.2.1.2 Market Share:

The Company’s business is mainly manufacturing, processing and trading of printed circuit boards. The market share in 2018 was about 3.10%. (calculated based on the statistics of TPCA and IEK)

5.2.1.3 Market Supply and Demand and Growth Potential in the Future

TPCA and ITRI's IEK estimate that global PCB production will grow by 1.16% in 2019, with an output value of $ 69.9 billion. They also estimate that the Taiwan PCB's output value in 2019 is expected to reach NT$ 611.1 billion, with a growth rate of 1.50%.

5.2.1.4 The Estimated Sales Volume of the Company

Unit: M^2

Business Objectives	2019
Product	Estimated Sales Volume (M^2)
Single-sided	1,596,019
Double-sided and Multilayer	4,617,811
Total	6,213,830

5.2.1.5 Competitiveness and Prospects, Favorable and Unfavorable Factors, and Response Measures:

As far as the development of the printed circuit board industry and the current situation of the Company are concerned, the favorable factors and unfavorable factors affecting our competitiveness and prospects are summarized as follows:

5.2.1.5.1 Favorable Factors:

(1) The industry’s supply chain is complete, which is conducive to our competition in the international market.

Taiwan's printed circuit board industry has a complete supply chain. The supply of raw materials such as CCL and chemicals are sufficient, and the competitiveness of their quality and price give Taiwan PCB makers an edge in the international competition. In addition, the electronics industry downstream has been booming. It also provides Taiwan PCB makers a good playground in the world market.

(2) The booming global electronic products drive the continued growth of demand for printed circuit boards.

In recent years, under the trend of convergence among computers, telecommunication and consumers electronics, the output value of the electronics industry has been growing year by year, and printed circuit boards have become an indispensable basic component in the overall industry. With the dramatic changes in the global economic environment, international electronics manufacturers have moved toward the global division of labor and have actively outsourced their manufacturing in the Asia-Pacific region. Taiwan and China have become top choices for the professional manufacturing bases of international electronics manufacturers by virtue of their superior process capability and integrated production environment. Taiwan PCB industry has been benefiting from these trends.

(3) The Company has a strong customers portfolio, which is conducive to the Company's stable growth.

The company has long been specialized in the production and sales of printed circuit boards. In all aspects of technology, quality, and delivery, we have been appraised by many global manufacturers. We have been maintaining good cooperative relations with them for many years, which is conducive to the Company's stable growth.

(4) The Company has excellent manufacturing capability, good process management, and long-term competitive advantage

The Company has long been dedicated to the development of precision technology, high value-added products, high level of automation, and good management of process capabilities. It is leading the industry in the capabilities of silver through hole, carbon paste, peelable mask and large panel production technology. We also have a competitive advantage on product quality, yield and delivery, etc.

(5) There are more business opportunities after the rise of China and China's accession to the WTO.

Since the introduction of the market economy in China, the vast market has attracted the attention of global manufacturers. The moving of manufacturing to China by the electronics industries has created huge demand for the printed circuit boards in China and in Asia. After China has joined the WTO, the average export tariffs will be reduced year by year, so the PCB makers that has been produced in China can meet the demand of the customers in the near areas in Asia. In addition, the reduction of import tariffs will also reduce the burden on Taiwan's PCB makers to export to China. Therefore, Taiwan PCB makers who operate and produce both in Taiwan and in China are the biggest winner benefiting from those trends.

(6) Our subsidiary in Thailand has an edge on lower cost and nearness to the business opportunities in Southeast Asia and South Asia

In 2017, our ownership of Draco, our subsidiary in Thailand, has increased to 99.58%. And the expansion plan of Draco's double-sided and multi-layer production capacity has been actively launched to capture business opportunities in Southeast Asia and South Asia and to make up for insufficient capacity in Taiwan and in China.

(7) the trade wars between China and the United States has promoted business opportunities outside China.

In the trade war of 2018, downstream customers are highly interested in the capacity outside China in order to diversify their supply. The Company has more production capacity in Taiwan and Thailand than that of our competitors, which will help us to get more business.

5.2.1.5.2 Unfavorable Factors and Response Measures:

(1) Labor shortage and rising labor costs: In recent years, due to the decrease of labors who are interested in manufacturing, labor recruitment is not easy and the cost is increased.

Response measures:

a. Increase automated equipment and reduce dependence on manpower.
b. Introduce computer-aided manufacturing systems to increase production efficiency.
c. Implement quality control circle comprehensively to improve the efficiency of personnel work.
d. Develop automation to reduce labors.

(2). Exchange rate risk: As the Company’s export sales accounted for more than 90% of our revenue, there is a risk of exchange rate.

Response measures:

a. Instantly grasp the exchange rate information.
b. Maintain flexible foreign exchange hedge (such as forward foreign exchange contract) and keep a hedged position to reduce the risk of exchange rate.
c. Use natural hedge to mitigate the risk of exchange rate by buying raw materials in US dollars.

(3) Stricter environmental standards and increasing environmental costs: Waste water, waste gas and scrapped printed circuit boards, etc. will be produced during the manufacturing process of printed circuit boards. The environmental cost for dealing with them has been increasing.

Response measures:

a. Establish solid pollution prevention measures and treatment equipment.
b. Improve the operation of green facilities and reduce human negligence.
c. Use the black hole process to replace the electroless plating in order to simplify the raw materials and to reduce waste as well.
d. Cooperate with professional recyclers approved by the Environmental Protection Administration to recycle and treat waste sludge and scrapped printed circuit boards.

(4) Tight time schedule of delivery and production and challenges of logistics efficiency: Customers require that we have the ability of immediate supply because they need to reduce their inventory but can still remain their just-in-time production.

Response measures:

a. Coordinate the supplier to reduce the time for preparing materials and accelerate the delivery schedule in order to quickly meet customers' needs.
b. Maintain good communication with customers, and instantly grasp the customer's demand for PCBs, which is conducive to the Company's planning of capacity expansion and production.
c. Actively improve manufacturing processes, enhance process efficiency, integrate the entire processes, shorten manufacturing time and strengthen logistics efficiency in order to achieve the goal of just-in-time supply.

(5) The advent of the meager profit era: In recent years, due to the excessive expansion of manufacturers, the imbalance between supply and demand in the market has tilted to over-supply. And the prices of raw materials continue to rise. Manufacturers of products that do not differentiate have to cut their prices to win the competition. Consumers with more choices of supply choose to hold their orders to get better purchase terms, which blocks their demand in a way. All of these have triggered the advent of the era of meager profit.

Response measures:

a. Enhance research and development, innovate products and enhance processes technology.
b. Develop niche markets with high value and high potential, provide quality services and technical support to meet the customers' need for total solutions.
c. Become customers' outstanding partner in their supply chain, integrate company-wide resources to provide a single window for our customers to get products and services and to reduce their costs and to enhance their value in order to increase customer stickiness.
d. Implement the cost management with excellent performance and quickly response to the dynamics of the market to build the niche products portfolio in order to expand the profit margin and to dampen the threat of the era of meager profit.

(6) The threat of China's transformation into a world factory and a price destroyer since the reforms and opening-up in China: The advantages of low-cost and the abundance of production resources have led to China's transformation into a world factory and a price destroyer.

Response measures:

a. Provide resources of technology, R&D and management to our Changshu Plant in China to facilitate its expansion of operations, services, customers and markets.
b. Create differentiated products and services that are beyond price destroyers by innovative R&D capabilities, superior manufacturing competitiveness, and outstanding customer service systems.
c. The excellent cost control mechanism is launched in our domestic and overseas business. We face the challenge of price destroyers with our competitive advantages in cost, technology and service.
d. Thailand's production cost is lower than that in China. The Company has expanded its production capacity in Thailand since 2015 to meet the opportunities of some price-competitive products.

5.2.1.6 SWOT analysis of Taiwan's printed circuit board industry (source: TPCA)

(1) Strengths of the industry

a. Highly flexible production and short lead time supply.
b. Good cost control systems.
c. Having the same cultural background as that in China.

d. Hard-working and well-educated labors.
e. A well-developed and well-established IT industry supply chain.

(2) Weakness of the industry
a. A certain degree of gap in high-end technology compared with the American and Japanese peers.
b. Some gaps to catch up in the ability to develop and promote the market needs compared with more competitive peers in other countries.
c. Taiwan's printed circuit board industry is not a price maker, but more like a price taker, so it can only obtain less profit.

(3). Opportunities facing the industry
a. North American manufacturers are no longer competitive in terms of cost, so more and more orders for higher-end products are transferred to Taiwan’s makers.
b. China has become the largest and fastest growing market.
c. The market of telecommunications and home appliance in China is growing rapidly.

(4) Threats facing the industry
a. More and more printed circuit board manufacturers have moved their production bases to China.
b. Local PCB makers in China have become more competitive and operationally more efficient.
c. “Made in China” and “China Price” have become the mainstream of the market.
d. Customers are not satisfied with the current price and still expect lower prices.
e. Due to the global economic recession, the demand in Europe and the United States has declined.

(5) Key performance indicators with industry characteristics: Operating Income Ratio and EBITDA

KPI	Definition	Budget in 2018	2018	Achievement Rate
Operating Income Ratio	Operating Income to Operating Revenue	8.83%	4.44%	50.28%
EBITDA (NT$ thousand)	Earnings before Interest, Tax, Depreciation and Amortization	3,760,675	1,505,065	40.02%

5.2.2 Important Applications and Manufacturing Processes of the Main Products

5.2.2.1 Important Applications

(1) Single-sided printed circuit board

a. Consumers electronics: TV sets, video recorders, tape recorders, remote controls, handheld game consoles, cameras, alarms, emergency lighting equipment, power supplies, control panels for home appliances, industrial control panels, etc.

b. Telecommunication: telephones, telephone switches, fax machines, etc.

c. Computers: monitors, terminals, keyboards, mouse, etc.

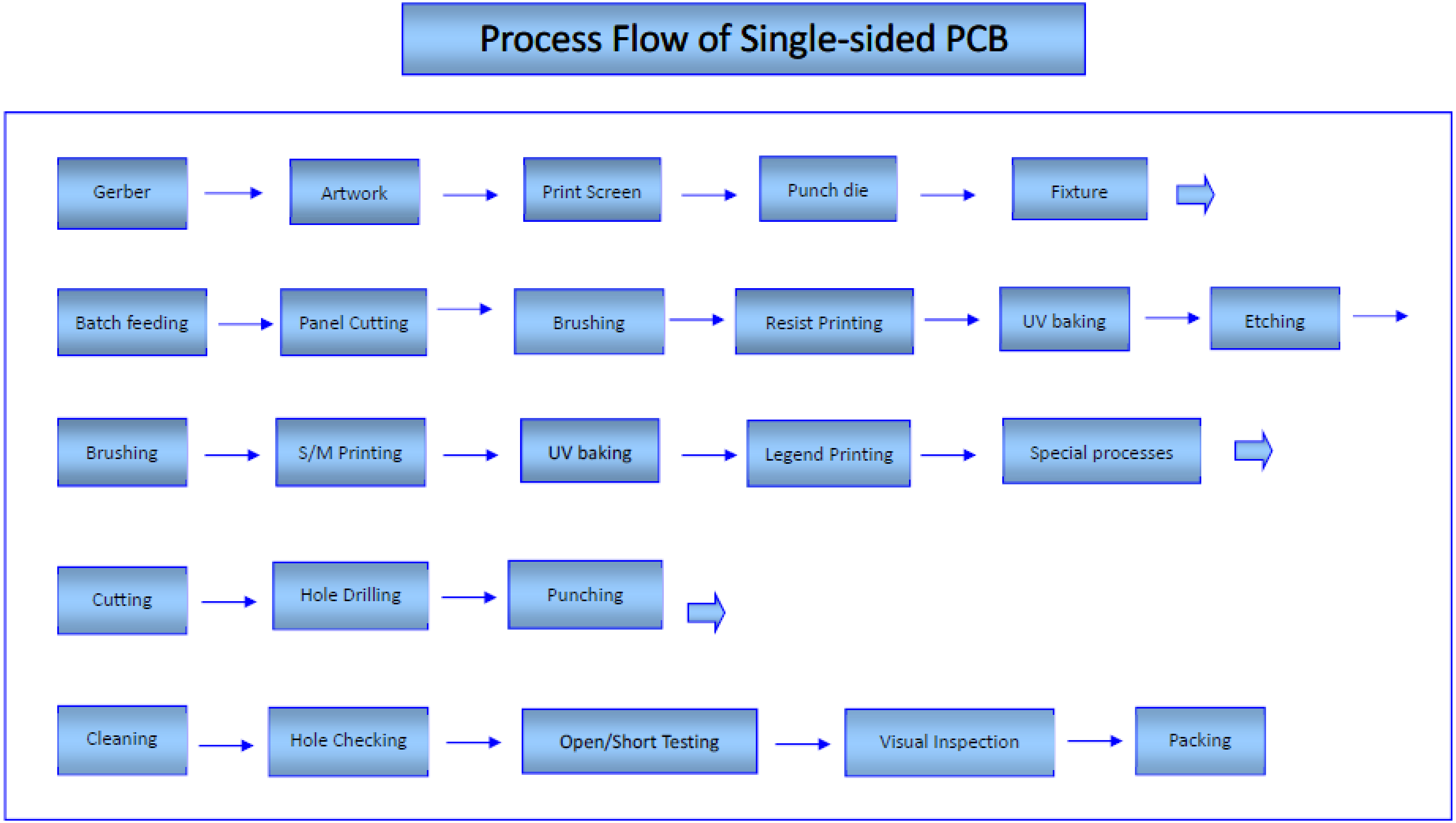
(2) Double-sided and multi-layer printed circuit boards:

a. Consumers electronics: video camera, car audio, CD-Player, TV game consoles, high-end power supply, industrial control panel, car dashboard, uninterruptible power system, etc.

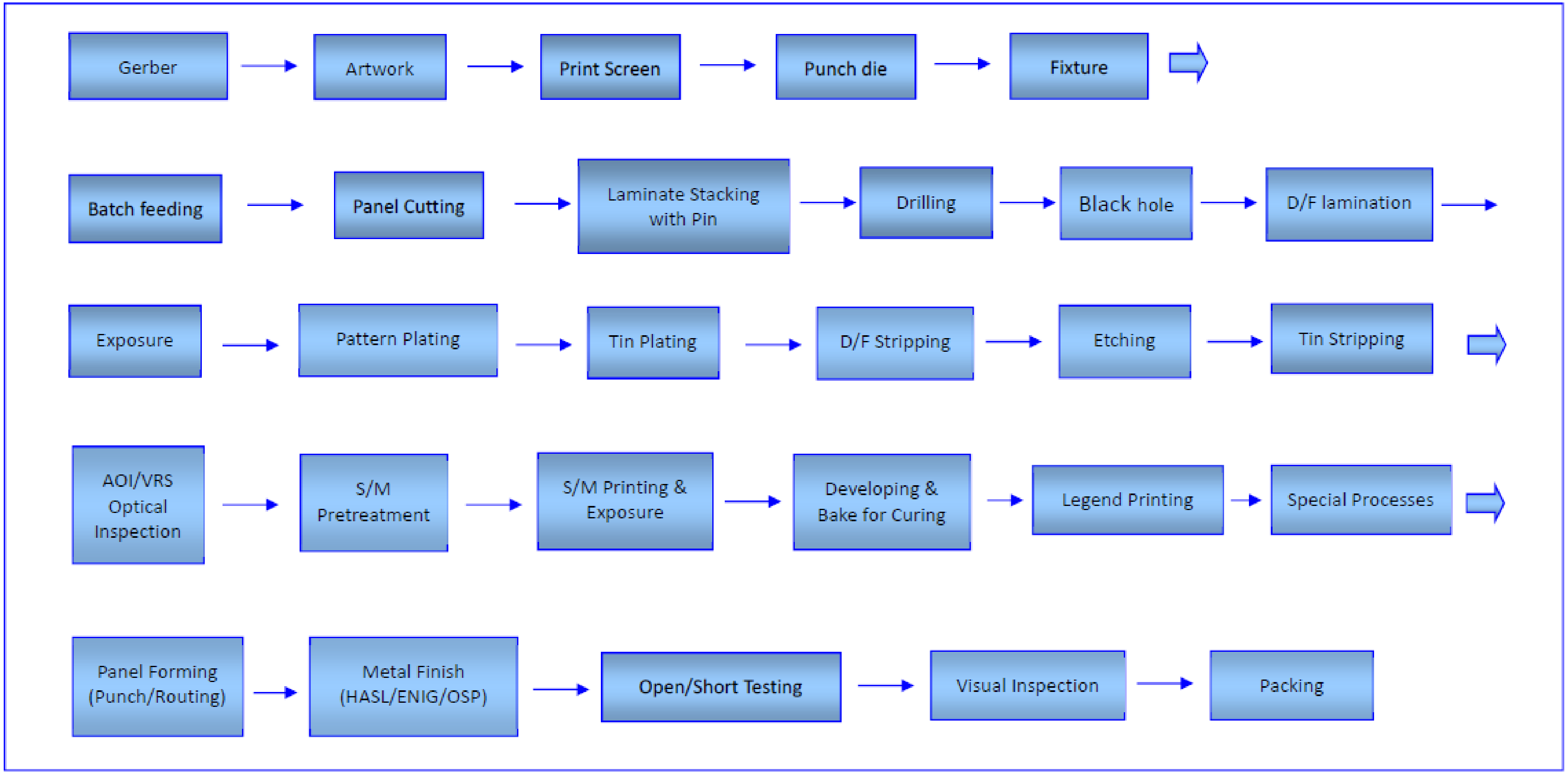
b. Telecommunication: digital telephones, answering machines, private branch exchange, modems, pagers, satellite receivers, personal digital assistants, mobile phones, etc.

c. Computers: high-end monitors, high-end terminals, printers, graphics cards, sound cards, network cards, video cards, scanners, CD players, laptops, etc.

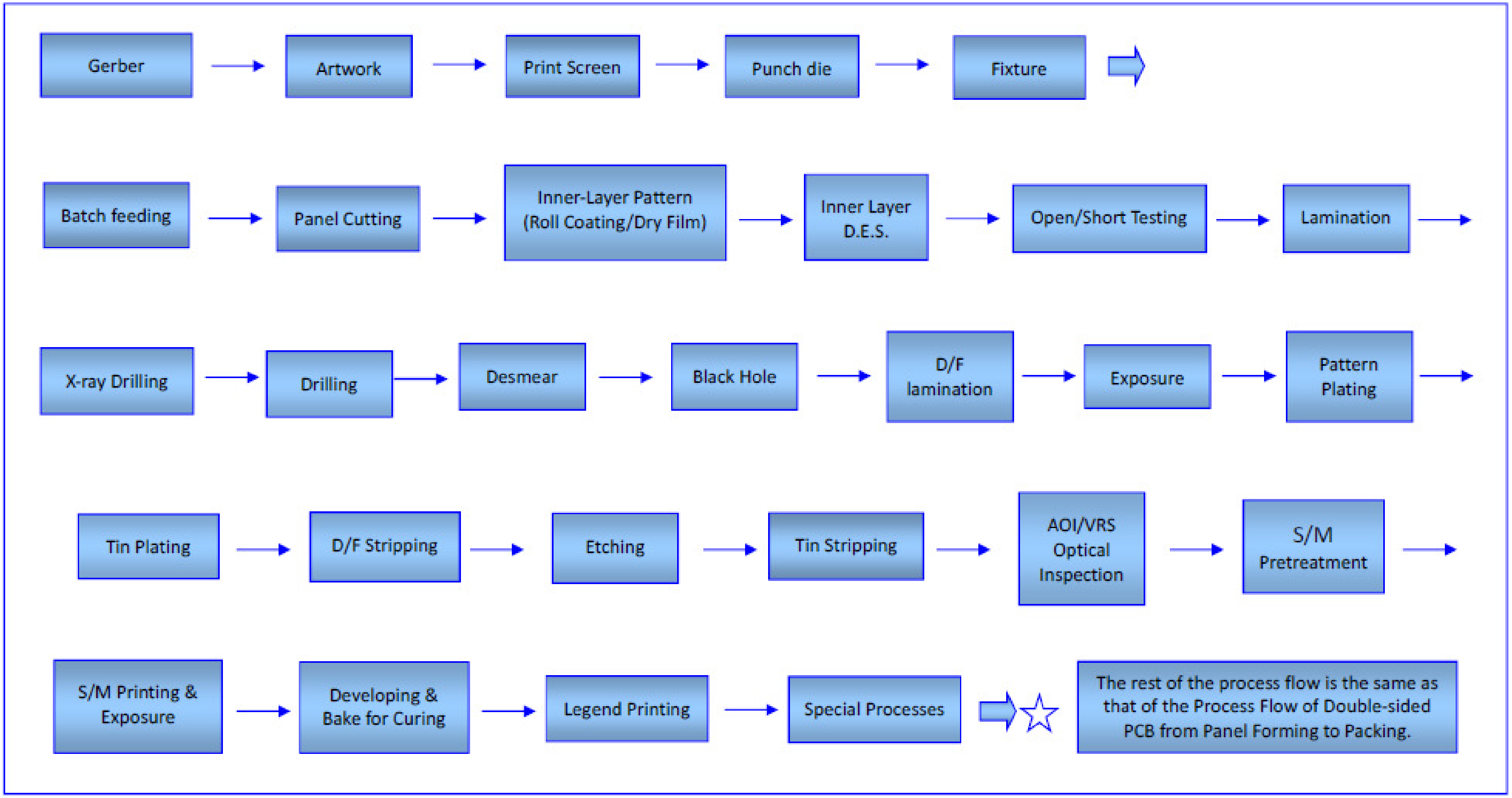
5.2.2.2 Manufacturing Processes



Process Flow of Double-sided PCB



Process Flow of MLB



5.2.3 Supply of Main Raw Materials

The Company's main raw material is copper clad laminate (CCL). In the early stage of the industry's development, PCB makers rely on imported CCL. Recently, with the clustering of the industry, upstream makers of CCL and process chemicals have been setting up factories and expanding their capacity rapidly. At present, except for a few special raw materials that still depend on imports, domestic PCB makers can obtain almost all raw materials from domestic suppliers.

5.2.4 List of Major Suppliers in the Last Two Years

Unit: NT$ thousand

Year	2017				2018				01/01/2019 ~ 03/31/2019 (Note2)			
Rank	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party
1	Nan Ya Plastics	1,546,109	17.68%	No.	Nan Ya Plastics	1,304,780	16.24%	No.	Nan Ya Plastics	268,865	16.60%	No.
2	(Top 2' purchase ratio below 10%.)				Nanya Electron Material Kunshan Company	938,369	11.68%	No.	Nanya Electron Material Kunshan Company	221,957	13.71%	No.
	Others	7,200,478	82.32%		Others	5,789,952	72.08%		Others	1,128,736	69.69%	
	Total	8,746,587	100.00%		Total	8,033,101	100.00%		Total	1,619,558	100.00%	

The top 10 suppliers of the Company are mostly domestic manufacturers. The Company adopts a diversified supplier policy, so only Nan Ya Plastics and Nanya Electron Material Kunshan Company are suppliers with more than 10% of our purchase.

The changes: In the production of printed circuit boards, CCLs take the highest proportion of the raw materials. Therefore, the top ten suppliers are mostly manufacturers of various types of CCLs, such as Nan Ya Plastics, TUC, EMC and ITEQ, etc. Nan Ya Plastics is the manufacturer with the largest supply of CCLs in Taiwan. They have abundant production capacity and can keep stable supply, so it has been our largest supplier in the past three years. The materials we purchase from it include glass fiber epoxy CCLs and composite CCLs. In general, domestic printed circuit board manufacturers have sufficient domestic supply of raw materials and do not need to rely too much on imports.

5.2.5 Changes of Major Customers in the Last Two Years

The top 10 customers of the Company are mostly international big companies, The Company adopts a diversified customer policy, so it does not have a single customer with more than 10% of our sales. The change of top 10 customers is mainly due to the dynamics in their industries and in their business. In addition, with the expansion of the Company's multi-layer board in recent years, our sales for European, American and Japanese international manufacturers has been increasing.

5.2.6 Production Volume and Value in the Last Two Years

Production Volume and Value in the Last Two Years Unit: NT$ thousand, M^2

Year / Volume & Value / Major Products	2017			2018		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Single-sided	2,757,620	2,964,767	4,146,548	2,997,602	2,993,392	4,185,463
Double-sided & Multilayer	4,463,842	4,138,960	15,670,006	4,293,604	3,422,654	13,602,725
Total	7,221,462	7,103,727	19,816,554	7,291,206	6,416,046	17,788,188

Note: The capacity refers to the volume that can be produced under normal operation of existing production equipment after the Company has considered the necessary stoppages, holidays, etc.

5.2.7 Sales Volume and Value in the Last Two Years

Sales Volume and Value in the Last Two Years Unit: NT$ thousand, M^2

Year / Volume & Value / Major Products	2017				2018			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Single-sided	60,340	131,452	2,513,241	3,658,397	51,245	128,935	2,858,376	4,728,155
Double-sided & Multilayer	56,799	474,633	4,491,220	19,381,129	59,347	466,552	3,368,448	14,850,246
Total	117,139	606,085	7,004,461	23,039,526	110,592	595,487	6,226,824	19,578,401

5.3 Employees' Data of the Last Two Years

Year		2017	2018	01/01/2019 ~ 03/31/2019 (Note)
Number of employees		9,538	8,065	8,194
Average age		31.79	31.87	32.26
Average Seniority		3.84	4.18	4.16
Education	Ph.D.	1	1	1
	Master	107	89	89
	Bachelor	2,289	1,905	1,926
	High School	4,978	4,304	4,226
	Others	2,163	1,766	1,952

5.4 Environmental Expenditure Information

5.4.1 Losses caused by environmental pollution during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

	2018	01/01/2019 ~03/31/2019
Pollution (type and status)	Air pollution, waste water, waste disposal	Violation of Water Pollution Control Act
Regulator	Department of Environmental Protection, Taoyuan	Department of Environmental Protection, Taoyuan
Penalty or Expense	NT$ 6,847,528 (Note 1)	NT$ 5,994,000 (Note 2)
Remark	Fines for violation of Air Pollution Control Act, Water Pollution Control Act and Toxic Chemical Substances Control Act, etc.	● A fine of NT$ 5,778,000 for violation of Water Pollution Control Act, which is fined for water pollution in the Yingpan River on December 24, 2016. ● A fine of NT$ 216,000 for violation of Water Pollution Control Act, which is fined for water pollution caused by fire-fighting water at our Pin-Cheng Plant in April, 2018.

Note 1. The fines of 2018 were fined mainly for the environmental impact caused by the smoke from the fire incident and the fire-fighting water on April 28, 2018. In order to recover these negative impacts and fulfill social responsibilities, in addition to the fines, the Company has donated NT$ 30,732 thousand to recover the local rivers and the environment, and NT$ 3,800 thousand to improve the impact of air pollution.

Note 2. The fines of 2019 were mainly due to the leakage of the tanks of copper and its compound (C-0110), which were broken by our supplier's truck on December 24, 2016 when the driver tried to reverse his truck. The Department of Environmental Protection, Taoyuan fined the leakage two years later.

5.4.2 Future Response Measures and Possible Expenditures

5.4.2.1 Strengthening Resources Recovery

(1) The scrapped materials of printed circuit boards are reused or resold as much as possible.
(2) Scrapped boards and waste sludge are recycled to extract copper by professional recyclers.
(3) Set up copper powder recycling machines to make 100% of the washing water of each process be recycled and reused, greatly reducing the water consumption.
(4) Strengthen the recovery of other reusable materials.

5.4.2.2 Enhancing Waste Reduction in the Manufacturing

(1) The PTH process of Pin-Cheng Plant fully adopts the black hole process to greatly reduce wastewater.
(2) Expand the copper powder recycling machines to reduce the volume of wastewater by recycling water resources.
(3) Promote silver through-hole products to reduce chemical pollution of electroplating.

5.4.2.3 Expanding Pollution Prevention Equipment

(1) Upgrade the wastewater treatment equipment of Tao-Yuan Plant.
(2) Add exhaust scrubber systems to make the exhaust gas emission meet the national emission standards.
(3) Strengthen the diversion system of factory drainage to let the wastewater containing high COD pool together for intensive special treatment in order to meet national discharge standards.

5.4.2.4 Responding to the EU Directives on Restriction of Hazardous Substances

Since July 1, 2006, the European Union has imposed restrictions on electronics sold to EU countries. All the electronic and electrical products in the lists cannot contain six hazardous substances regulated in RoHS (The Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS) Directive (2002/95/EC)) when they enter the European market.

In recent years, the Company has been taking environmental protection as its own responsibility. It has introduced and widely used environmentally-friendly materials and lead-free processes. Therefore, this limited usage in the directives has little impact on the Company. And environmental protection measures taken by the Company earlier than the directives has also brought more business opportunities to the Company.

5.4.3 Budget of Environmental Investment

Reducing the impact of the manufacturing on the environment and enhancing environmental protection has become the trends of the world. The Company continues to implement the environmental management system, and plans to invest NT$ 86,222 thousand in 2019 to upgrade the pollution prevention equipment, to reduce the impact of the manufacturing on the environment, and then to improve the Company's corporate image and competitiveness.

5.4.4 Impact of Environmental Investment

5.4.4.1 Impact on Net Income:

The yearly depreciation is increased by approximately NT$ 10,683 thousand.

5.4.4.2 The tax credit from the investment is NT$ 0.

5.4.4.3 Impact on Competitiveness:

Doing a good job in environmental protection is a world trend. The Company actively invests in environmental protection. Although it has a slight impact on earnings, it has won the appraisal of foreign customers, thus strengthening market competitiveness.

5.5 Labor Relations

5.5.1 The Company's employee welfares, education, trainings, retirement plans and their implementation, as well as the negotiation with employees and the measures for protecting employees' rights and interests

5.5.1.1 Employee Welfares and its Implementation

Employees are an important resource for the Company. Therefore, the Company has always been paying great attention to labor relations. In order to fully take care of employee, in addition to complying with the regulations and laws of labor affairs, there are a variety of welfares for our employees.

(1) Employee insurance policy:
   a. All employees participate in labor insurance and health insurance.
   b. Some employees participate in casualty insurance according to the nature of their work. The full premiums for insurance policy are borne by the Company.
(2) Implement a system of employee salary adjustment, bonus distribution and employee stock subscription.
(3) All employees of the Company and their spouses, parents and children can get benefits or subsidies on a special occasion, such as marriage, birth, death, disability, housewarming, etc.
(4) Emergency assistance for employees.
(5) Regular employee health checks.
(6) On-the-job trainings.
(7) Dormitories.

5.5.1.2 Education and Trainings

Employees are an important resource for the Company, so the company always focuses on employees' education and trainings.

(1) The education and trainings are divided into five categories: annual special training projects, trainings for different levels of managers, trainings for different functions, special skills trainings and orientation programs for new employees.

(2) Provide regular training courses for employees' job skills and provide training courses for language and other skills.
(3) Establish an internal lecturer system to inherit the Company's intellectual assets.
(4) Introduce external training programs to meet some special needs.
(5) Implementation of employees' education and trainings as follows:

Item	Number of Classes	Total Trainees	Total Hours	Total Cost
1. annual special training projects	3	47	16	5,600
2. trainings for different levels of managers	32	536	175	61,250
3. trainings for different functions	3,120	37,440	3,625	1,268,750
4. special skills trainings	32	84	672	479,574
5. orientation programs for new employees	158	1,348	1, 264	184,544
Total	3,345	39,455	5,752	1,999,718

(6) The certificates got by employees whose jobs are related to financial information transparency:

1. CPA of Taiwan, ROC: 1 person in the accounting department.

(7) Ethical Evaluation of Employee Behavior

a. The Company has established " Code of Practice for Ethical Corporate Management " and " Code of Conduct for Employees " as the codes of conduct for the directors, managers and employees of the Company.

The main contents are as follows:
(a) All employees should be honest and ethical, especially when individuals have a conflict of interest in performing their duties.
(b) The Company's confidential business information should be protected.
(c) Regular reports should be disclosed in a complete, fair, correct, timely and understandable manner.
(d) Treat customers, suppliers and competitors in a fair manner.
(e) Protect the Company's assets for effective application.
(f) Comply with regulations and laws, including that of insider

trading.

(g) Report to the supervisors listed in these codes of conduct when there is a violation or a potential violation of these codes of conduct.

b. The Company evaluates employees according to the procedures for employee performance assessment and the procedures for employee reward and discipline. All the rewards and disciplines will be announced to employees, so that employees can clearly understand the codes of conduct. When employees' behaviors pass the threshold of reward or discipline, they will be rewarded or disciplined according to the regulations.

5.5.1.3 Retirement Plans

The Company has an operational procedure for employee retirement plans. Employees who have served a certain number of years or who have reached a certain age or who have lost their capability to work for life are eligible to receive a pension according to this procedure. The Company allocates monthly funds to the pension account in the department of trust of Bank of Taiwan. When an employee retires, the payment will be paid by the pension account. According to the procedure, the pension payment is fully borne by the Company.

With the implementation of Labor Pension Act (hereinafter referred to as the "New System") since July 1, 2005, employees who are applicable to the above procedure but choose to use New System and those who become employees of the Company after July 1, 2005, shall adopt Defined Contribution Plan for their retirement.

According to Defined Contribution Plan stipulated in Labor Pension Act, the Company will allocate funds of six percent of an employee's monthly wage to an employee's individual accounts of labor pension at the Bureau of Labor Insurance.

5.5.1.4 Labor Negotiation

(1) New employees will get a copy of employee work rules which describe the details of working hours, holidays, leave, salary, rewards and disciplines, assessment, dismissal, retirement, occupational injury,

welfare, sexual harassment prevention, labor negotiation, etc.

(2) The Company's labor relation is harmonious and the labor issues are handled in a mutual manner. And labor-management meetings are held regularly, so both employers and employees can gain common understanding and make all work smoothly moved.

(3) The Company signs work contracts with all employees to clearly define the rights and obligations of both employers and employees. At the same time, we follow the implementation of Act of Gender Equality in Employment and sets higher overtime pay than that stipulated in the regulations of labor affairs to enhance the protection of employees' rights and interests.

5.5.1.5 Measures for Protecting Employees' Rights and Interests

(1) The rights and obligations are clearly defined in the employee work contract to protect the employees' rights and interests.

(2) Use labor-management meetings to communicate with each other and to resolve issues through negotiation.

(3) Establish a labor complaints channel to deal with complaints from employees about disciplinary action, mismanagement, sexual harassment, etc.

(4) Set up labor mailboxes and expand communication channels.

5.5.2 Losses caused by labor disputes during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

5.6 Important Contracts: None.

6. Financial Overview

6.1 Condensed Financial Statement and CPAs' Opinions in the Last Five Years

6.1.1 Condensed Balance Sheet

6.1.1.1 Condensed Balance Sheet (consolidated) - in accordance with IFRS

Unit: NT$ thousand

Item \ Year		Last Five Years (Note 1)					01/01/2019 ~ 03/31/2019 (Note 3)
		2014	2015	2016	2017	2018	
Current Assets		15,102,696	14,750,952	15,261,056	15,225,751	14,306,924	13,963,709
Property, Plant and Equipment (Note 2)		7,608,561	8,948,615	8,372,088	7,766,272	7,117,745	7,270,467
Intangible Assets		0	0	0	0	0	0
Other Assets (Note 2)		1,261,326	775,433	1,752,035	2,237,363	1,731,165	2,061,645
Total Assets		23,972,583	24,475,000	25,385,179	25,229,386	23,155,834	23,295,821
Current Liabilities	Before Distribution	8,377,803	7,880,617	8,319,220	8,372,807	7,047,242	6,641,520
	After Distribution	7,503,313	6,847,129	7,047,235	7,478,442	Note 4	Note 4
Noncurrent Liabilities		780,030	796,972	857,882	670,683	647,120	991,321
Total Liabilities	Before Distribution	9,157,833	8,677,589	9,177,102	9,043,490	7,694,362	7,632,841
	After Distribution	8,283,343	7,644,101	7,905,117	8,149,125	Note 4	Note 4
Equity Attributable to Shareholders of the Parent		14,201,467	15,290,593	16,136,250	16,171,605	15,448,041	15,649,628
Share Capital		3,974,954	3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus		1,571,014	1,574,389	1,568,318	1,568,318	1,568,318	1,568,318
Retained Earnings	Before Distribution	8,014,794	9,143,407	10,520,610	10,757,737	10,046,949	10,089,622
	After Distribution	7,140,304	8,109,919	9,248,625	9,863,372	Note 4	Note 4
Other Equity		640,705	597,843	72,368	(129,404)	(142,180)	16,734
Treasury Stock		0	0	0	0	0	0
Noncontrolling Interests		613,283	506,818	71,827	14,291	13,431	13,352
Total Equity	Before Distribution	14,814,750	15,797,411	16,208,077	16,185,896	15,461,472	15,662,980
	After Distribution	13,940,260	14,763,923	14,936,092	15,291,531	Note 4	Note 4

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: If assets were applied for revaluation in the current year, the date of evaluation and the added value after the revaluation should be disclosed.

Note 3: Reviewed by CPAs.

Note 4: The resolution of the 2019 shareholders meeting is still pending.

6.1.1.2 Condensed Balance Sheet (parent company only) - in accordance with IFRS

Unit: NT$ thousand

Item \ Year		Last Five Years (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		10,366,333	9,438,820	10,551,929	10,011,756	8,447,888
Property, Plant and Equipment (Note 2)		3,743,399	5,139,842	5,083,884	4,730,621	3,997,508
Intangible Assets		0	0	0	0	0
Other Assets (Note 2)		7,082,134	7,388,779	7,646,892	8,720,431	8,938,895
Total Assets		21,191,866	21,967,441	23,282,705	23,462,808	21,384,291
Current Liabilities	Before Distribution	6,434,548	6,113,594	6,488,523	6,784,444	5,308,179
	After Distribution	5,560,058	5,080,106	5,216,538	5,890,079	Note 3
Noncurrent Liabilities		555,851	563,254	657,932	506,759	628,071
Total Liabilities	Before Distribution	6,990,399	6,676,848	7,146,455	7,291,203	5,936,250
	After Distribution	6,115,909	5,643,360	5,874,470	6,396,838	Note 3
Share Capital		3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus		1,571,014	1,574,389	1,568,318	1,568,318	1,568,318
Retained Earnings	Before Distribution	8,014,794	9,143,407	10,520,610	10,757,737	10,046,949
	After Distribution	7,140,304	8,109,919	9,248,625	9,863,372	Note 3
Other Equity		640,705	597,843	72,368	(129,404)	(142,180)
Treasury Stock		0	0	0	0	0
Total Equity	Before Distribution	14,201,467	15,290,593	16,136,250	16,171,605	15,448,041
	After Distribution	13,326,977	14,257,105	14,864,265	15,277,240	Note 3

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: If assets were applied for revaluation in the current year, the date of evaluation and the added value after the revaluation should be disclosed.

Note 3: The resolution of the 2019 shareholders meeting is still pending.

6.1.2 Condensed Income Statement

6.1.2.1 Condensed Income Statement (consolidated) – in accordance with IFRS

Unit: NT$ thousand

Year / Item	Last Five Years (Note 1)					01/01/2019 ~ 03/31/2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating Revenue	21,303,660	22,644,105	23,939,699	23,645,611	20,173,888	4,663,914
Gross Profit	2,887,892	3,333,268	4,383,850	3,290,564	2,075,859	335,145
Operating Income	1,665,754	2,063,685	3,019,123	2,035,142	895,053	16,052
Non-operating Income and Expenses	679,147	502,126	302,374	205,760	(519,984)	48,613
Profit before Tax	2,344,901	2,565,811	3,321,497	2,240,902	375,069	64,665
Profit (loss) from continuing operations	1,741,650	1,914,455	2,456,514	1,496,209	162,225	42,477
Net income (loss)	1,741,650	1,914,455	2,456,514	1,496,209	162,225	42,477
Other comprehensive income, net of tax	305,077	(49,520)	(537,736)	(192,772)	7,716	159,031
Total Comprehensive Income	2,046,727	1,864,935	1,918,778	1,303,437	169,941	201,508
Net Income (Loss) Attributable to Shareholders of the Parent	1,768,992	1,977,323	2,489,038	1,500,804	163,311	42,673
Noncontrolling Interests	(27,342)	(62,868)	(32,524)	(4,595)	(1,086)	(196)
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	2,033,525	1,960,241	1,932,729	1,308,419	170,801	201,587
Noncontrolling Interests	13,202	(95,306)	(13,951)	(4,982)	(860)	(79)
Earnings Per Share (Note 3)	4.45	4.97	6.26	3.78	0.41	0.11

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: Reviewed by CPAs.

Note 3: Earnings per share is calculated by dividing the net income for the period by the weighted average number of shares of the issued common stock. If new issuance of common stock by using retained earnings or capital surplus, earnings per share shall be adjusted accordingly.

Note 4: The amount of interest capitalization for each year is as follows:

2014: NT$ 0.
2015: NT$ 0.
2016: NT$ 0.
2017: NT$ 0.
2018: NT$ 0.

6.1.2.2 Condensed Income Statement (parent company only) – in accordance with IFRS

Unit: NT$ thousand

Item \ Year	Last Five Years (Note 1)				
	2014	2015	2016	2017	2018
Operating Revenue	16,383,183	17,293,414	18,240,972	18,463,729	15,425,920
Gross Profit	2,229,604	2,575,164	3,192,061	2,237,921	1,307,784
Operating Income	1,358,198	1,718,462	2,246,532	1,447,232	619,681
Non-operating Income and Expenses	893,459	762,571	843,691	586,964	(361,869)
Profit before Tax	2,251,657	2,481,033	3,090,223	2,034,196	257,812
Profit (loss) from continuing operations	1,768,992	1,977,323	2,489,038	1,500,804	163,311
Net income (loss)	1,768,992	1,977,323	2,489,038	1,500,804	163,311
Other comprehensive income, net of tax	264,533	(17,082)	(556,309)	(192,385)	7,490
Total Comprehensive Income	2,033,525	1,960,241	1,932,729	1,308,419	170,801
Earnings Per Share (Note 2)	4.45	4.97	6.26	3.78	0.41

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: Earnings per share is calculated by dividing the net income for the period by the weighted average number of shares of the issued common stock. If new issuance of common stock by using retained earnings or capital surplus, earnings per share shall be adjusted accordingly.

Note 3: The amount of interest capitalization for each year is as follows:

2014: NT$ 0.
2015: NT$ 0.
2016: NT$ 0.
2017: NT$ 0.
2018: NT$ 0.

6.1.3 CPAs' Opinions in the Past Five Years

Year	CPAs	Opinions	Remark
2014	CPA Ann-Tien Yu, CPA Chun-Hsiu Kuang	An Unqualified Opinion	
2015	CPA Ann-Tien Yu, CPA Chun-Hsiu Kuang	An Unqualified Opinion	
2016	CPA Lily Lu, CPA Ann-Tien Yu	An Unqualified Opinion	
2017	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	
2018	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	

6.2 Financial Analysis for the Last Five Years

6.2.1 Financial Analysis (consolidated) – in accordance with IFRS

Item (Note 3)	Year (Note 1)	Last Five Years					01/01/2019 ~ 03/31/2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure	Debt Ratio (%)	38	35	36	36	33	33
	Long-term Fund to Property, Plant and Equipment Ratio (%)	198	179	196	210	217	215
Solvency	Current Ratio (%)	180	187	183	182	203	210
	Quick Ratio (%)	139	144	135	131	150	158
	Interest Coverage Ratio (times)	61	82	90	47	7	4
Operating Performance	Accounts Receivable Turnover (times)	5.45	4.94	4.87	5.00	4.95	4.97
	Average Collection Period	66.97	73.88	74.95	73.00	73.73	73.44
	Average Inventory Turnover (times)	5.88	5.86	5.46	5.09	4.68	4.92
	Accounts Payable Turnover (times)	5.58	5.63	5.61	5.54	5.25	5.72
	Average Inventory Turnover Days	62.1	62.28	66.85	71.70	77.99	74.19
	Property, Plant and Equipment Turnover (times)	2.91	2.74	2.76	2.93	2.71	2.59
	Total Assets Turnover (times)	0.93	0.93	0.96	0.93	0.83	0.80
Profitability	Return on Total Assets (%)	8	8	10	6	1	1
	Return on Equity (%)	12	13	15	9	1	1
	Pre-tax Income to Share Capital Ratio (%)	59	65	84	56	9	7
	Net Margin (%)	8	8	10	6	1	1
	Earnings Per Share (NT$)	4.45	4.97	6.26	3.78	0.41	0.11
Cash Flow	Cash Flow Ratio (%)	22	31	43	31	26	-3
	Cash Flow Adequacy Ratio (%)	138	118	126	120	116	115
	Cash Reinvestment Ratio (%)	4	6	10	5	3	-1
Leverage	Operating Leverage	2.77	2.5	2.56	3.39	5.86	66.29
	Financial Leverage	1.02	1.02	1.01	1.02	1.07	-5.32

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from explanation)

- Interest coverage ratio: Due to the significant decrease in net profit before income tax and interest expense, the interest coverage ratio is greatly reduced.
- Profitability: Due to the significant decrease in net income, return on total assets, return on equity, Pre-tax Income to Share Capital Ratio, net margin and earnings per share decreased as well.
- Cash flow ratio and cash reinvestment ratio: The decrease in net cash inflows from operating activities during the period due to the decrease in net changes in assets and liabilities related to operating activities resulted in a lower cash flow ratio and cash reinvestment ratio than in previous years.
- Operating leverage: Operating leverage has increased due to reduced operating income

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: Reviewed by CPAs.

Note 3: The resolution of the 2019 shareholders meeting is still pending.

6.2.2 Financial Analysis (parent company only) – in accordance with IFRS

Item (Note 2) \ Year (Note 1)		Last Five Years				
		2014	2015	2016	2017	2018
Financial structure	Debt Ratio (%)	33	30	31	31	28
	Long-term Fund to Property, Plant and Equipment Ratio (%)	379	297	317	342	386
Solvency	Current Ratio (%)	161	154	163	148	159
	Quick Ratio (%)	125	118	121	105	118
	Interest Coverage Ratio (times)	125	145	191	92	9
Operating Performance	Accounts Receivable Turnover (times)	5.65	5.17	5.23	5.37	5.04
	Average Collection Period (days)	64.6	70.6	69.79	67.97	72.42
	Average Inventory Turnover (times)	6.52	6.51	6.15	5.89	5.69
	Accounts Payable Turnover (times)	5.54	5.70	5.83	6.99	4.99
	Average Inventory Turnover Days	55.98	56.07	59.35	61.97	64.15
	Property, Plant and Equipment Turnover (times)	4.7	3.89	3.57	3.76	3.53
	Total Assets Turnover (times)	0.81	0.80	0.81	0.79	0.69
Profitability	Return on Total Assets (%)	9	9	11	6	1
	Return on Equity (%)	13	13	16	9	1
	Pre-tax Income to Share Capital Ratio (%)	57	62	78	51	6
	Net Margin (%)	11	11	14	8	1
	Earnings Per Share (NT$)	4.45	4.97	6.26	3.78	0.41
Cash Flow	Cash Flow Ratio (%)	21	32	38	22	21
	Cash Flow Adequacy Ratio (%)	124	104	109	97	93
	Cash Reinvestment Ratio (%)	2	5	6	1	1
Leverage	Operating Leverage	2.66	2.36	2.63	3.70	6.48
	Financial Leverage	1.01	1.01	1.01	1.02	1.06

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from explanation)

- Interest coverage ratio: Due to the significant decrease in net profit before income tax and interest expense, the interest coverage ratio is greatly reduced.
- Profitability: Due to the significant decrease in net income, return on total assets, return on equity, Pre-tax Income to Share Capital Ratio, net margin and earnings per share decreased as well.
- Operating leverage: Operating leverage has increased due to reduced operating income

Note 1: The financial statements of the past five years have been audited by CPAs.

Note 2: The resolution of the 2019 shareholders meeting is still pending.

※ The formulas of financial analysis are as follows:

1. Capital Structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Interest Coverage Ratio = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
   (1) Accounts Receivable Turnover = Net Sales / Average Accounts Receivables
   (2) Average Collection Period = 365 / Accounts Receivable Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payables
   (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Equity
   (3) Pre-tax Income to Share Capital Ratio = Income before Tax / Share Capital
   (4) Net Margin = Net Income / Net Sales
   (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost and Expense) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

6.3 Audit Committee's Review Report for the Last Annual Financial Statements

CHIN-POON INDUSTRIAL CO., LTD.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statement, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit the Company's Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

CHIN-POON INDUSTRIAL CO., LTD.

Chairman of the Audit Committee:

Mr. CHEN, HSIANG-SHENG

March 20, 2019

6.4 The Consolidated Financial Statements of the Most Recent Year with CPA's Audit Report

Stock Code:2355

CHIN-POON INDUSTRIAL CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **No. 46, Nei-Tsuoh St., 3rd Lin, Nei-Tsuoh Village, Lu-Chu County, Taoyuan City, Taiwan, R.O.C.**
Telephone: **(03)322-2226**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Statements of Financial Position	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Organization	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) Application of new standards, amendments and interpretations	9～15
(4) Summary of significant accounting policies	16～29
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	30
(6) Description of significant accounts	30～63
(7) Related-party transactions	63
(8) Pledged assets	63
(9) Significant commitments and contingencies	64
(10) Significant losses from calamity	64
(11) Significant subsequent events	64
(12) Other	65
(13) Other disclosures	
(a) Information on significant transactions	66～68
(b) Information on investees	68
(c) Information on investment in mainland China	68～69
(14) Segment information	69～71

Representation Letter

The entities that are required to be included in the combined financial statements of Chin-Poon Industrial Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chin-Poon Industrial Co., Ltd. does not prepare a separate set of combined financial statements.

Company name: Chin-Poon Industrial Co., Ltd.

Chairman: HUANG , WEI-JIN

Date: March 20, 2019

Independent Auditors' Report

To the Board of Directors
Chin-Poon Industrial Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Chin-Poon Industrial Co., Ltd. ("the Company") and its subsidiaries (collectively referred to as "the Consolidated Company"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Consolidated Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As disclosed in note 10 of the consolidated financial statements, a fire occurred in some of the Company's plants on April 28, 2018, which destroyed parts of the building, equipment and inventory, resulting in recovery and indemnity expenses. The estimated loss from the incident amounted to $902,744 thousand and the insurance claim received was $350,000 thousand. The aforementioned amounts were recognized under other gains and losses for the fiscal year ended December 31, 2018. Though the related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of the reporting date, the insurance compensation has yet to be determined for the reason that the amount is highly subject to investigation. The Company will recognize the insurance income in the subsequent periods when the amount can be reasonably estimated. We, therefore, did not modify our audit opinion for that matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Subsequent measurements of inventories

   Please refer to note 4(h), note 5(a) and 6(g) for the related disclosures on subsequent measurements of inventories of the consolidated financial statements.

   Description of key audit matter:

   The inventories of the Consolidated Company are mainly electronic printed circuit boards and electronic materials. The products may be outdated or no longer meet the market demand due to the rapid changes in technology. In addition, with the price competition in the same industry, the demand on related products and their prices may fiercely fluctuate, which may result in a risk wherein the cost of inventories may exceed its net realizable value. As a result, the subsequent measurements of inventories has to be based on the managements' assessment using internal and extemal evidences. Therefore, the subsequent measurements of inventories was identified as one of our key audit matters.

   How the matter was addressed in our audit:

   The procedures included assessing the rationality of accounting policy for inventory subsequent measurements; reviewing the inventory aging documents and analyzing their changes; obtaining the documents of inventory subsequent measurements and understanding the rationality of sales prices adopted by the management; selecting samples and examining relevant documents to verify the accuracy of net realizable value of inventories; and assessing whether the disclosure of the inventory subsequent measurements made by the management was appropriate.

2. Refund liability of sales returns and discounts

   Please refer to note 4(m), note 5(b) and note 6(r) for the related disclosures on the refund liabilities for sales returns and discounts of the consolidated financial statements.

   Description of key audit matter:

   The Consolidated Company recorded a refund liability for its estimated future returns and discounts for specific electronic circuit boards by using historical trend and other known factors in the same period when related revenues were recorded. Since the refund liability for sales returns and discounts is subject to significant judgment of the management, it was, therefore, identified as one of our key audit matters.

   How the matter was addressed in our audit:

   The procedures included understanding the management's methodology used in estimating sales returns and discounts; assessing the reasonableness of relevant assumptions made by the management; obtaining the documents of refund liability for sales returns and discounts, selecting samples and examining relevant documents to verify the reasonableness of the management's methodology used in estimating refund liability for sales returns and discounts; and assessing whether the disclosure on refund liability for sales returns and discounts made by the management was appropriate.

Other Matter

The Company prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we issued an unmodified opinion on the above paragraph concerning the emphasis of matter and an unmodified opinion, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

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

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

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

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 4,077,954	18	4,382,371	17
1110	Financial assets measured at fair value through profit and loss－current (note 6(b))	1,046,338	5	-	-
1125	Available-for-sale financial assets－current (note 6(c))	-	-	1,516,642	6
1150	Notes receivable, net (notes 6(e) and 6(r))	5,573	-	12,288	-
1170	Accounts receivable, net (notes 6(e) and 6(r))	3,660,346	16	4,479,061	18
1200	Other receivables (note 6(f))	71,818	-	61,375	-
1220	Current income tax assets	116,124	-	-	-
130x	Inventories (notes 6(g), 9 and 10)	3,648,971	16	4,079,820	16
1410	Prepayments	111,883	-	162,925	1
1476	Other financial assets－current (note 6(d))	1,361,669	6	365,419	1
1479	Other current assets	206,248	1	165,850	1
	Total current assets	14,306,924	62	15,225,751	60
15xx	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(c))	-	-	12,641	-
1600	Property, plant and equipment (notes 6(i), 7, 8, 9 and 10)	7,117,745	31	7,766,272	31
1840	Deferred tax assets (note 6(o))	179,996	1	144,621	1
1915	Prepayments for equipment (note 9)	1,250,926	5	561,441	2
1975	Net defined benefit asset－non-current (note 6(n))	65,307	-	8,008	-
1980	Other financial assets－non-current (note 6(d))	180,313	1	1,452,773	6
1985	Long-term prepaid rental	54,623	-	57,879	-
	Total non-current assets	8,848,910	38	10,003,635	40
1xxx	**Total assets**	$ 23,155,834	100	25,229,386	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(j), 8 and 9)	$ 1,406,223	6	1,790,514	7
2322	Current portion of long-term loans (notes 6(j), 8 and 9)	8,334	-	42,270	-
2150	Notes payable	840,259	4	965,686	4
2170	Accounts payable	2,352,837	10	2,729,313	11
2219	Other payables (notes 6(n) and 6(t))	1,575,008	7	1,757,075	7
2230	Current tax liabilities	-	-	355,842	1
2250	Provisions－current (note 6(k))	-	-	537,073	2
2321	Bond payables (note 6(l))	149,396	-	-	-
2399	Other current liabilities (note 6(n))	715,185	3	195,034	1
	Total current liabilities	7,047,242	30	8,372,807	33
25xx	**Non-Current liabilities:**				
2530	Bond payables (note 6(l))	-	-	140,677	1
2540	Long-term loans (notes 6(j), 8 and 9)	-	-	8,001	-
2570	Deferred tax liabilities (note 6(o))	628,071	3	506,759	2
2640	Net defined benefit liability－non-current (note 6(n))	19,049	-	15,246	-
	Total non-current liabilities	647,120	3	670,683	3
2xxx	**Total liabilities**	7,694,362	33	9,043,490	36
	Equity attributable to shareholders of the parent (notes 6(h), 6(l), 6(n), 6(o), 6(p) and 6(v)):				
3110	Common stock	3,974,954	17	3,974,954	16
3200	Capital surplus	1,568,318	7	1,568,318	6
3300	Retained earnings:				
3310	Legal reserve	2,319,521	10	2,169,441	9
3320	Special reserve	129,404	-	-	-
3350	Unappropriated earnings	7,598,024	33	8,588,296	34
		10,046,949	43	10,757,737	43
3400	Other equity:				
3410	Foreign currency translation differences for foreign operations	(142,180)	-	(147,251)	(1)
3425	Unrealized gain (loss) on valuation of available-for-sale financial assets	-	-	17,847	-
		(142,180)	-	(129,404)	(1)
	Total equity attributable to shareholders of the company	15,448,041	67	16,171,605	64
36xx	**Non-controlling interests (note 6(h))**	13,431	-	14,291	-
3xxx	**Total equity**	15,461,472	67	16,185,896	64
2-3xxx	**Total liabilities and equity**	$ 23,155,834	100	25,229,386	100

See accompanying notes to the consolidated financial statements.

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

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue (notes 6(k), 6(r) and 6(s))**	$ 20,173,888	100	23,645,611	100
5000	**Operating costs (notes 6(g), 6(m), 6(n) and 7)**	18,098,029	90	20,355,047	86
5900	**Gross profit**	2,075,859	10	3,290,564	14
6000	**Operating expenses (notes 6(e), 6(m), 6(n), 6(t) and 7):**				
6100	Selling expenses	533,096	3	598,047	3
6200	Administrative expenses	507,043	2	524,865	2
6300	Research and development expenses	129,845	1	132,510	1
6450	Expected credit loss	10,822	-	-	-
	Total operating expenses	1,180,806	6	1,255,422	6
6900	**Operating income**	895,053	4	2,035,142	8
7000	**Non-operating income and expenses (notes 6(g), 6(i), 6(l), 6(n), 6(u), 10 and 12):**				
7010	Other income	358,055	2	385,661	2
7020	Other gains and losses	(819,382)	(4)	(131,363)	(1)
7050	Finance costs	(58,657)	-	(48,538)	-
	Total non-operating income and expenses	(519,984)	(2)	205,760	1
7900	**Income before income tax**	375,069	2	2,240,902	9
7950	**Less: income tax expenses (note 6(o))**	212,844	1	744,693	3
	Net income	162,225	1	1,496,209	6
8300	**Other comprehensive income (notes 6(n), 6(o), 6(p) and 6(v)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	3,034	-	11,310	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(621)	-	(1,923)	-
	Total items that will not be reclassified subsequently to profit or loss	2,413	-	9,387	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation differences for foreign operations	5,303	-	(185,160)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(16,999)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total Items that may be reclassified subsequently to profit or loss	5,303	-	(202,159)	(1)
8300	**Other comprehensive income, net of tax**	7,716	-	(192,772)	(1)
8500	**Total comprehensive income**	**$ 169,941**	**1**	**1,303,437**	**5**
	Net income attributable to:				
8610	Shareholders of the Company	$ 163,311	1	1,500,804	6
8620	Non-controlling interests	(1,086)	-	(4,595)	-
		$ 162,225	**1**	**1,496,209**	**6**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 170,801	1	1,308,419	5
8720	Non-controlling interests	(860)	-	(4,982)	-
		$ 169,941	**1**	**1,303,437**	**5**
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$ 0.41**		**3.78**	
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$ 0.41**		**3.76**	

See accompanying notes to the consolidated financial statements.

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

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company											
			Retained earnings				Total other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences for foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Subtotal	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 3,974,954	1,568,318	1,920,537	-	8,600,073	10,520,610	37,522	34,846	72,368	16,136,250	71,827	16,208,077
Appropriation and distribution:												
Legal reserve	-	-	248,904	-	(248,904)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,271,985)	(1,271,985)	-	-	-	(1,271,985)	-	(1,271,985)
Net income (loss) for the year	-	-	-	-	1,500,804	1,500,804	-	-	-	1,500,804	(4,595)	1,496,209
Other comprehensive income for the year	-	-	-	-	9,387	9,387	(184,773)	(16,999)	(201,772)	(192,385)	(387)	(192,772)
Total comprehensive income for the year	-	-	-	-	1,510,191	1,510,191	(184,773)	(16,999)	(201,772)	1,308,419	(4,982)	1,303,437
Conversion of convertible bonds	-	-	-	-	-	-	-	-	-	-	(16,899)	(16,899)
Changes in the ownership interests in subsidiaries	-	-	-	-	(1,079)	(1,079)	-	-	-	(1,079)	(35,655)	(36,734)
Balance at December 31, 2017	3,974,954	1,568,318	2,169,441	-	8,588,296	10,757,737	(147,251)	17,847	(129,404)	16,171,605	14,291	16,185,896
Effects of retrospective application	-	-	-	-	17,847	17,847	-	(17,847)	(17,847)	-	-	-
Equity at beginning of period after adjustments	3,974,954	1,568,318	2,169,441	-	8,606,143	10,775,584	(147,251)	-	(147,251)	16,171,605	14,291	16,185,896
Appropriation and distribution:												
Legal reserve	-	-	150,080	-	(150,080)	-	-	-	-	-	-	-
Special reserve	-	-	-	129,404	(129,404)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(894,365)	(894,365)	-	-	-	(894,365)	-	(894,365)
Net income (loss) for the year	-	-	-	-	163,311	163,311	-	-	-	163,311	(1,086)	162,225
Other comprehensive income for the year	-	-	-	-	2,419	2,419	5,071	-	5,071	7,490	226	7,716
Total comprehensive income for the year	-	-	-	-	165,730	165,730	5,071	-	5,071	170,801	(860)	169,941
Balance at December 31, 2018	**$ 3,974,954**	**1,568,318**	**2,319,521**	**129,404**	**7,598,024**	**10,046,949**	**(142,180)**	**-**	**(142,180)**	**15,448,041**	**13,431**	**15,461,472**

See accompanying notes to the consolidated financial statements.

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

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018	2017
Cash flows from operating activities:			
Income before tax	$	375,069	2,240,902
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		1,071,339	1,133,025
Expected credit loss / Provision for bad debt expense		10,822	3,916
Net gain on financial assets measured at fair value through profit or loss		(50,461)	-
Interest expense		58,657	48,538
Interest income		(91,657)	(91,093)
Dividend income		(759)	(759)
Loss on disposal of property, plant and equipment		10,179	17,591
Gain on disposal of investments		-	(57,399)
Unrealized loss on foreign exchange		26,077	-
Amortization expense for long-term prepaid rental		1,887	1,523
Loss on incident		902,744	-
Total adjustments to reconcile profit and loss		1,938,828	1,055,342
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		6,715	(552)
Accounts receivable		804,144	462,995
Other receivables		(7,335)	30,563
Inventories		65,261	(154,982)
Prepayments		52,224	(47,982)
Other current assets		(41,171)	(19,962)
Total net changes in operating assets		879,838	270,080
Net changes in operating liabilities:			
Notes payable		(125,427)	52,812
Accounts payable		(380,915)	(6,067)
Other payable		(271,369)	(231,558)
Provisions－current		-	59,035
Other current liabilities		(36)	32,104
Net defined benefit liability		(51,147)	(11,339)
Total net changes in operating liabilities		(828,894)	(105,013)
Total net changes in operating assets and liabilities		50,944	165,067
Total adjustments		1,989,772	1,220,409
Cash inflow generated from operations		2,364,841	3,461,311
Interest income received		122,961	60,809
Interest paid		(46,706)	(35,756)
Income tax paid		(599,665)	(914,123)
Net cash flows from operating activities		1,841,431	2,572,241
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(1,530,436)	-
Proceeds from disposal of financial assets measured at fair value through profit or loss		2,040,191	-
Acquisition of available-for-sale financial assets		-	(2,967,779)
Proceeds from disposal of available-for-sale financial assets		-	2,592,411
Acquisition of property, plant and equipment		(489,636)	(450,087)
Proceeds from disposal of property, plant and equipment		16,374	10,144
Decrease (increase) in other financial assets－current and non-current		210,581	(270,087)
Decrease in other non-current assets		-	5
Increase in prepayments for equipment		(1,122,518)	(556,917)
Dividend received		759	759
Net cash flows used in investing activities		(874,685)	(1,641,551)
Cash flows from financing activities::			
Increase in short-term loans		4,303,746	5,567,681
Decrease in short-term loans		(4,655,812)	(5,417,331)
Repayments of long-term loans		(43,338)	(41,160)
Cash dividends paid		(894,365)	(1,271,985)
Change in non-controlling interests		-	(41,670)
Net cash flows used in financing activities		(1,289,769)	(1,204,465)
Effect of exchange rate changes on cash and cash equivalents		18,606	(171,048)
Net decrease in cash and cash equivalents		(304,417)	(444,823)
Cash and cash equivalents at beginning of period		4,382,371	4,827,194
Cash and cash equivalents at end of period	$	4,077,954	4,382,371

See accompanying notes to the consolidated financial statements.

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

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) Organization

CHIN-POON INDUSTRIAL CO., LTD. ("the Company") was incorporated in the Republic of China (ROC) on September 26, 1979, as a corporation limited by shares in accordance with the ROC Company Act. The consolidated entities in the consolidated financial statements include the Company and its subsidiaries (collectively referred to as "the Consolidated Company"). The Consolidated Company's major business includes:

(a) Manufacturing, producing and selling electronic printed circuit boards and electronic materials;

(b) Manufacturing, producing and selling models used in the punching process of electronic printed circuit boards and in steel production;

(c) Manufacturing, producing and selling insulation board; and

(d) Importing and exporting the above-mentioned products.

(2) Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issue by the board of directors on March 20, 2019.

(3) Application of new standards, amendments and interpretations:

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC ("FSC")

In preparing the accompanying consolidated financial statements, the Consolidated Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014－2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the items discussed below, the adoption of abovementioned standards and interpretations has not had a material impact on the consolidated financial statements.

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 “Revenue from Contracts with customers” (“IFRS 15”) replaces the existing revenue recognition guidance, including IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and their related interpretations. It establishes a comprehensive framework using a five-step analysis model to determine whether how much and when revenue is recognized.

The extend and impact of changes on its accounting policies for the Consolidated Company adopting the IFRS 15 are as follows:

1) Sales of goods

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, and there is no continuing management involvement with the goods. Otherwise, the Consolidated Company estimates its future returns and discounts for different types of goods by using historical trend and other known factors in the same period when related revenue is recorded. However, under IFRS 15, revenue for the sale of goods is recognized when a customer obtains control of the goods. A refund liability for estimated future returns and discount that may be paid to the customers is recorded under other current liabilities.

2) Impacts on the consolidated financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Consolidated Company's consolidated financial statements for the year ended December 31, 2018:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Provisions－current	$ 550,267	(550,267)	-	537,073	(537,073)	-
Other current liabilities	-	550,267	550,267	-	537,073	537,073
Impact on liabilities		$ -			-	

(Continued)

(ii) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" ("IFRS 9") replaces IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Consolidated Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Consolidated Company's approach was to include the impairment of accounts receivable in administrative expenses. Additionally, the Consolidated Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The changes on its accounting policies for the Consolidated Company adopting the IFRS 9 are detailed below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Consolidated Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on the Consolidated Company's accounting policies related to financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(g).

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Consolidated Company's financial assets as of January 1, 2018 (There are no change in measurement categories and carrying amounts for financial liabilities):

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Beneficiary certificates	Available-for-sale (note 1)	1,516,642	FVTPL	1,516,642
OTC Stocks on domestic markets	Available-for-sale (note 2)	12,641	FVTPL	12,641
Trade and other receivables	Loans and receivables (note 3)	4,552,724	Amortized cost	4,552,724
Other financial assets－current and non-current	Loans and receivables	1,818,192	Amortized cost	1,818,192

Note 1: Upon initial adopting IFRS9, the Consolidated Company elected to classify the beneficiary certificates as measured at FVTPL, which were previously classified as available-for-sale financial assets under IAS39, since the instrument are not equity instruments and its cash flow is not solely generated from the payment of outstanding principle and the related interest. As a result, a decrease of $5,206 thousand in other equity-unrealized gains (losses) on available for sale financial assets and an increase of $5,206 thousand in retained earnings as well were recognized on January 1, 2018 .

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 2: OTC Stocks on domestic markets were previously classified as available-for-sale financial assets under IAS 39. Under IFRS 39, the Consolidated Company elected to classify them at the date of initial application as measured at FVTPL, resulting in a decrease of $12,641 thousand in other equity－unrealized gains (losses) on available-for-sale financial assets, and an increase of $12,641 thousand in retained earnings on January 1, 2018.

Note 3: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of the expected credit loss under IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	Carrying amount as of December 31, 2017 under IAS 39	Reclassifications	Remeasurements	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018
Financial assets at FVTPL						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Reclassification from available-for-sale financial assets (IAS 39)	-	1,529,283	-		17,847	(17,847)
Total	$ -	1,529,283	-	1,529,283	17,847	(17,847)
Amortized cost						
Beginning balance of notes and accounts receivable, other receivables and other financial assets (IAS 39)	$ 6,370,916	-	-	6,370,916	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Consolidated Company has disclosed a reconciliation between the opening and closing balances for liabilities with changes from financial activities in note 6(z) to meet the requirement as stated above.

(b) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

According to Ruling No. 1070324857 issued by the FSC on July 17, 2018, commencing from 2019, the Consolidated Company is required to adopt IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except IFRS 16 “Leases” , the Consolidated Company believes that the adoption of abovementioned standards or interpretations would not have a material impact on its consolidated financial statements.

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(i) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Consolidated Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Consolidated Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified them as leases in accordance with IAS 17 and IFRIC 4.

(ii) Transition

As a lessee, the Consolidated Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Consolidated Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Consolidated Company plans to apply the following practical expedients after assessment:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) So far, the most significant impact identified is that the Consolidated Company will have to recognize the new assets and liabilities for the operating leases of its offices, factory facilities warehouses, and land use right. The Consolidated Company estimated that its right-of-use assets and lease liabilities to increase by $453,915 thousand and $397,621 thousand respectively, as well as its long-term prepaid rental to decrease by $56,294 thousand as at January 1, 2019 as a result of the above changes. Besides, the Consolidated Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(c) The IFRS issued by the IASB but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Consolidated Company continues in assessing the potential impact on its financial position and operations as a result of the application of abovementioned standards and interpretations. The potential impact will be disclosed when the assessment is complete.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. The assets and liabilities of foreign operations are translated to the Company's functional currency using the exchange rates on reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Company.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Changes in the Consolidated Company's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements were as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Remarks
The Company	VEGA International Enterprise Co., Ltd. (VEGA)	Investment	100.00%	100.00%	
The Company	Chin-Poon Japan Co., Ltd. (CPCJ)	Trading of PCB	100.00%	100.00%	
The Company	Draco PCB Public Co., Ltd. (Draco)	Production and trading of PCB	99.58%	99.58%	(Note)
VEGA International Enterprise Co., Ltd.	Chin-Poon Holdings Cayman Limited (CPCH)	Trading of PCB	100.00%	100.00%	
Chin-Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd (CPCS)	Production and trading of PCB	100.00%	100.00%	

Note: In July 2016, the Company acquired the interest of 9,327 thousand shares in Draco PCB Public Co., Ltd. for \$41,712 thousand, recognizing a reduction of \$6,015 thousand in retained earnings. The Company held 2,667,944 convertible bonds issued by Draco and converted them into 47,761 common shares (THB5.4 per share) in July 2017. In August 2017, Draco increased its capital by issuing 123,579 thousand shares, raising \$547,562 thousand (approximately THB600,595 thousand). The Company contributed \$547,520 thousand in Draco's equity offering. For the year ended December 31, 2017, the Company increased its ownership of Draco from 95.53% to 99.58% and recognized a reduction of \$1,079 thousand in retained earnings, resulting from its transaction.

There is no subsidiaries excluded from the consolidated financial statements.

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising from retranslated are recognized in profit or loss, except for the financial assets measured at fair value through other comprehensive income (available-for-sale equity investment) differences, which are recognized in other comprehensive income arising on the retranslated.

(e) Assets and liabilities classified as current and non-current

Cash or cash equivalents, assets held for trading purposes or short-term and expected to be converted to cash within twelve months after the reporting period or for intention of sales or consumption within its normal operating cycle are classified as current assets; all other assets are classified as noncurrent assets.

Liabilities that must be fully liquidated within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as noncureent liabilities.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are classified as cash and cash equivalents only when they satisfy the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

The Consolidated Company classifies financial assets into the following categories: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss (FVTPL). Trade-date accounting is used when purchasing or selling of these financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL, including derivative financial assets. On initial recognition, the Consolidated Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, refundable deposits and other financial assets, etc.) and other contract assets.

Loss allowance for notes and accounts receivable, and other contract assets are measured at an amount equal to lifetime ECL. Other financial assets measured at amortized cost are considered reasonable and supportable information that are relevant and available, without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Company's historical experience, informed credit assessment, and forward-looking information. Loss allowance for other financial assets measured at amortized cost are measured by using the 12-month ECL, in which the credit risk did not increase significantly since initial recognition. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the lifetime ECL.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Consolidated Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Consolidated Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

(Continued)

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable from January 1, 2018)

Financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instruments. Trade-date accounting is used when purchasing or selling of these financial assets and the Consolidated Company classifies financial assets into the following categories:

1) Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses.

Dividend income is recognized in profit or loss on the date that the Consolidated Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

Interest income from investments in debt instruments is recorded under non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized in profit or loss and it is recorded in non-operating income and expenses.

3) Impairment of financial assets

A financial assets is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably. An impairment test ought to be performed on each reporting date.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Objective evidence that financial assets are impaired includes default or delinquency by a debtor (such as delay in payment of interest or principal or default on payments), restructuring of an amount due to the Consolidated Company on terms that the Consolidated Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Consolidated Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual loss are likely to be greater or lesser than those suggested by historical trends.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was loss recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in operating expenses, and impairment losses and recoveries of other financial assets are recognized and included in other gains and losses under non-operating income and expenses.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Derecognition of financial assets

The Consolidated Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contract and the definition of financial liabilities and equity instruments.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Consolidated Company comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, gains, or losses related to financial liabilities are recognized in profit or loss, and recorded under non-operating income and expenses.

Upon conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

When the company holds the convertible bonds issued by its subsidiary, the bonds held shall be viewed as redeemed bonds of the issuer in the consolidated financial statements.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

3) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Consolidated Company presents financial assets and liabilities on a net basis when the Consolidated Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Consolidated Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

	December 31, 2018	**December 31, 2017**
Buildings	8~60 years	2~60 years
Machinery equipment	2~10 years	2~10 years
Other equipment	2~20 years	2~20 years
Leasehold equipment	15~30 years	15~30 years

(Continued)

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Leases

(i) Lessee

Leases are operating leases and are not recognized in the Consolidated Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(ii) Long-term prepaid rental

Long-term prepaid rental is the land use right of Chin-Poon (Changshu) Electronic Co., Ltd., which is recorded by acquisition costs, is amortize within useful term (50 years) by straight-line method, and is reclassify in to prepaid expenses and long-term prepaid for lease.

(k) Impairment－non-derivative financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Consolidated Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Consolidated Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Consolidated Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(l) Provisions

A provision is recognized if, as a result of a past event, the Consolidated Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, except if the accrued interest on a short-term provision isn't material.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company's provision for sales returns and discounts is recognized at the time of sale and estimated on the basis of previous experience and relevant factors, which are recorded under provisions. However, the adoption of IFRS 15 commencing January 1, 2018 requires the abovementioned provision to be recognized as refund liabilities under other current liabilities.

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company’s main types of revenue are explained below:

1) Sale of goods

The Consolidated Company is mainly engaged in the manufacture and sale of electronic printed circuit boards and electronic materials. The Consolidated Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

The Consolidated Company's estimated future sales returns and discounts for various goods are generally made and adjusted based on historical trend and other known factors that would significantly affect the sales returns and discounts. A reduction of revenue and refund liabilities (recorded under other current liabilities) are only recognized to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognized when the goods are delivered as this is the point in time that the Consolidated Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Revenue (applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Consolidated Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Consolidated Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Consolidated Company. An economic benefit is available to the Consolidated Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

(Continued)

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); The Consolidated Company recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

The Consolidated Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax loses, unused tax credits, and deductible temporary differences can be utilized.

(p) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have a dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following Board of Directors, the effect of dilution from these potential shares is taken into consideration.

(q) Segment information

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Subsequent measurements of inventories

As inventories are stated at the lower of cost or net realizable value, the Consolidated Company assesses the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The subsequent measurements of inventories are mainly determined based on the current market price. Therefore, there may be significant changes in the net realizable value of inventories due to the rapid change of industrial environment.

(b) Refund liability of sales returns and discounts

The Consolidated Company records a refund liability for its estimated future sales returns and discounts in the same period when related revenues are recorded. Refund liability for estimated sales returns and discounts is generally made and adjusted based on historical trend and other known factors that would significantly affect the sales returns and discounts. The adequacy of estimations is reviewed periodically. Any changes in these estimates might significantly affect the refund liability for sales returns and discounts.

(6) Description of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 4,200	2,303
Demand deposits	3,626,893	3,882,525
Time deposits	387,129	463,589
Checking deposits	59,732	33,954
Cash and cash equivalents per consolidated statement of cash flows	$ 4,077,954	4,382,371

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Please refer to note 6(w) for the disclosure of the Consolidated Company's interest rate risk and sensitivity analysis related to financial assets and liabilities.

Please refer to note 6(d) for the disclosure of the Consolidated Company's time deposits with a maturity of three months and above one year were recorded under other financial assets－current and other financial assets－non-current.

(b) Financial assets measured at fair value through profit or loss

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Current:	
Beneficiary certificates	$ 1,046,338

Please refer to note 6(u) for net gains or losses from financial assets measured at fair value through profit or loss. As of December 31, 2017, non-derivative financial assets were presented under available-for-sale financial assets－current and non-current, please refer to 6(c).

As of December 31, 2018, the Consolidated Company did not pledge its financial assets measured at fair value through profit or loss as collateral.

The Consolidated Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2017, the Consolidated Company reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

	Fair value liabilities	Contract amount (in thousands)	Expiry date
December 31, 2017			
Forward contracts	$ -	USD 418	2018.5

As of December 31, 2018, the Consolidated Company did not have outstanding forward contracts.

(c) Available-for-sale financial assets

	December 31, 2017
Current:	
Beneficiary certificates	$ 1,516,642
Non-current:	
OTC Stocks on domestic markets	12,641
Total	$ 1,529,283

(Continued)

Please refer to note 6(u) for net gains or losses on disposal of investments and dividend income. Please refer to note 6(v) for unrealized gains and losses on valuation of available-for sale investments.

The Consolidated Company's exposure to credit, currency and interest rate risks and the sensitivity analysis on the financial instruments held by the Consolidated Company are disclosed in note 6(w).

(i) Sensitivity analysis－market price risk

If the market price of the available-for-sale financial assets fluctuates, the impact on other comprehensive income will be as follows:

	2017		
Fluctuation in market price at reporting date		**Other comprehensive income (after tax)**	**Net income**
Increase 1%	$	126	-
Decrease 1%	$	(126)	-

(ii) As of December 31, 2017, the Consolidated Company did not pledge its available-for-sale financial assets as collateral.

(d) Other financial assets

		December 31, 2018	December 31, 2017
Current:			
Bank's time deposit	$	1,361,669	365,419
Non-current:			
Bank's time deposit		160,857	1,441,120
Refundable deposits		19,456	11,653
Total	$	1,541,982	1,818,192

As of December 31, 2018 and 2017, the Consolidated Company did not pledge its other financial assets as collateral.

(e) Notes receivable and accounts receivable

		December 31, 2018	December 31, 2017
Notes receivable	$	6,267	12,982
Accounts receivable		3,755,074	4,562,951
Less: loss allowance		95,422	84,584
	$	3,665,919	4,491,349

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company applies the simplified approach of IFRS 9 to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for notes and accounts receivable on December 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The Consolidated Company's analysis of the expected credit loss on its notes and accounts receivable in the regions of Taiwan as of December 31, 2018 was as follows:

	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 2,283,754	0.1103%	2,520
Past due 1~30 days	81,804	3.7578%	3,074
Past due 31~60 days	41,114	15.5130%	6,378
Past due 61~90 days	1,897	66.8951%	1,269
Past due 91~120 days	75,980	100%	75,980
	$ 2,484,549		89,221

The Consolidated Company's analysis of the expected credit loss on its notes and accounts receivable in the regions of China as of December 31, 2018 was as follows:

	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 652,639	0.0022%	15
Past due 1~30 days	40,077	0.1326%	53
Past due 31~60 days	6,283	1.5141%	95
Past due 61~90 days	3,940	10.2601%	404
Past due 91~120 days	6,603	24.3758%	1,610
	$ 709,542		2,177

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company's analysis of the expected credit loss on its notes and accounts receivable in the regions of other as of December 31, 2018 was as follows:

	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 488,259	0.0780%	198
Past due 1~30 days	57,463	0.7687%	356
Past due 31~60 days	4,209	2.5418%	98
Past due 61~90 days	11,783	17.3651%	2,038
Past due 91~120 days	217	52.9450%	115
Past due 121~180 days	603	66.1859%	399
Over past due 181 days	4,716	100%	4,716
	$ 567,250		7,920

As of December 31, 2017, the Consolidated Company reserves its allowance for doubtful accounts on notes and accounts receivable based on the credit loss it already incurred. As of December 31, 2017, the aging analysis of the Consolidated Company's notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 1~30 days	$ 87,262
Past due 31~180 days	22,017
	$ 109,279

The movement in the loss allowance for impairment with respect to notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	$ 84,584	80,611	-
Adjustment of initial application of IFRS 9	-		
Balance at January 1, 2018 per IFRS 9	84,584		
Impairment loss recognized	10,822	3,916	-
Translation effect	16	57	-
Balance at December 31, 2018 and 2017	$ 95,422	84,584	-

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2017, specific impairment loss recognized for individually significant receivables was calculated as the difference between their carrying amount and the present value of the estimated future cash flows from the delinquency discounted at the current market rate of return for a similar financial asset. The Consolidated Company considered the credibility of clients on the reporting date when assessing the collectability of accounts receivable and notes receivable. Except for receivables for related parties, based on historical default records, accounts receivable and other receivables aging over 180 days may have difficulties in collection. The Consolidated Company provided a 100% allowance for accounts receivable and other receivables which were past due over 180 days. For those accounts receivable and other receivables aging 1 to 180 days, the Consolidated Company estimated the amounts that might not be collected by taking into consideration the default records and financial status analysis of the counterparties.

The Consolidated Company had not provided the notes and accounts receivable as collateral or factored them for cash.

(f) Other receivables

		December 31, 2018	December 31, 2017
Other receivables	$	72,876	62,433
Less: loss allowance		(1,058)	(1,058)
	$	71,818	61,375

As of December 31, 2018 and 2017, the Consolidated Company had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(w).

(g) Inventories

		December 31, 2018	December 31, 2017
Finished goods	$	1,809,428	2,043,626
Work in progress		1,275,254	1,368,988
Raw materials		564,289	667,206
	$	3,648,971	4,079,820

For the years ended December 31, 2018 and 2017, the Consolidated Company recognized the amounts of $505,830 thousand and $627,171 thousand, respectively, as reductions of operating cost due to the disposal of scrap materials. For the years ended December 31, 2018 and 2017, the Consolidated Company recognized the losses on inventory valuation of $102,858 thousand and $35,826 thousand, respectively, by writing down the value of their inventories to net realizable value.

On April 28, 2018, a fire occurred in some of the Consolidated Company's Pingzhen plants, wherein the Consolidated Company recognized an impairment loss on its inventory of $379,105 thousand, which was recorded under other gains and losses. For related information, please refer to note 10.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2018 and 2017, the Consolidated Company did not pledge its inventories as collateral.

(h) Acquisitions of NCI

In June 2017, the Company acquired the interests of 9,327 thousand shares in Draco, spending $41,712 thousand, and increasing its ownership from 95.53% to 99.30%. For the year ended December 31, 2017, the Company recognized the amount of $6,015 thousand as a reduction of its retained earnings.

The changes in the subsidiary's equity attributed to the Consolidated Company were as follows:

	December 31, 2018
Carrying amount of non-controlling interest on acquisition	$ 35,697
Consideration paid to non-controlling interests	(41,712)
Differences between consideration and carrying amounts of subsidiaries acquired	$ (6,015)

For the year ended December 31, 2018, the Company did not acquire the interests of Draco's shares.

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress	Total
Cost:							
Balance at January 1, 2018	$ 838,860	3,450,257	10,931,188	2,899,654	15,280	1,939	18,137,178
Additions	-	11,739	300,341	71,461	1,844	94,527	479,912
Disposals	-	-	(317,508)	(13,052)	-	-	(330,560)
Reclassification	-	-	452,116	19,370	-	(63,958)	407,528
Translation effect	3,128	(6,664)	(11,393)	(10,277)	-	559	(24,647)
Balance at December 31, 2018	$ 841,988	3,455,332	11,354,744	2,967,156	17,124	33,067	18,669,411
Balance at January 1, 2017	$ 837,960	3,442,223	10,779,304	2,768,743	15,280	46,453	17,889,963
Additions	-	12,605	287,553	85,853	-	90,483	476,494
Disposals	-	-	(259,798)	(14,015)	-	-	(273,813)
Reclassification	-	10,480	160,873	73,686	-	(135,532)	109,507
Translation effect	900	(15,051)	(36,744)	(14,613)	-	535	(64,973)
Balance at December 31, 2017	$ 838,860	3,450,257	10,931,188	2,899,654	15,280	1,939	18,137,178

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress	Total
Accumulated depreciation and impairment loss:							
Balance at January 1, 2018	$ -	1,206,420	7,260,461	1,900,462	3,563	-	10,370,906
Depreciation	-	96,665	732,107	241,919	648	-	1,071,339
Impairment loss	-	213,190	209,308	20,736	-	-	443,234
Disposal	-	-	(292,429)	(11,578)	-	-	(304,007)
Reclassification	-	-	(2,815)	2,815	-	-	-
Translation effect	-	(2,986)	(16,589)	(10,231)	-	-	(29,806)
Balance at December 31, 2018	$ -	1,513,289	7,890,043	2,144,123	4,211	-	11,551,666
Balance at January 1, 2017	$ -	1,106,888	6,785,035	1,623,000	2,952	-	9,517,875
Depreciation	-	103,043	760,877	268,494	611	-	1,133,025
Disposals	-	-	(233,431)	(12,647)	-	-	(246,078)
Reclassification	-	-	(31,868)	31,868	-	-	-
Translation effect	-	(3,511)	(20,152)	(10,253)	-	-	(33,916)
Balance at December 31, 2017	$ -	1,206,420	7,260,461	1,900,462	3,563	-	10,370,906
Carrying amount:							
Balance at December 31, 2018	$ 841,988	1,942,043	3,464,701	823,033	12,913	33,067	7,117,745
Balance at December 31, 2017	$ 837,960	2,335,335	3,994,269	1,145,743	12,328	46,453	8,372,088
Balance at January 1, 2017	$ 838,860	2,243,837	3,670,727	999,192	11,717	1,939	7,766,272

(i) Loss and gain on disposal

For the years ended December 31, 2018 and 2017, the Consolidated Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(u).

(ii) Impairment loss

The movements in accumulated impairment loss of the Consolidated Company's property, plant and equipment were as follows:

	2018	2017
Beginning balance	$ 14,675	14,512
Disposals during the year	(40)	-
Impairment loss recognized during the year	443,234	-
Translation effect	609	163
Ending balance	$ 458,478	14,675

On April 28, 2018, a fire occurred in some of the Consolidated Company's Pingzhen plants, wherein the Consolidated Company recognized an impairment loss on its property, plant and equipment of $443,234 thousand, which was recorded under other gains and losses. For related information, please refer to note 10.

(iii) Collateral

As of December 31, 2018 and 2017, the Consolidated Company pledged its property, plant and equipment as collateral for long-term and short-term loans, pleas refer to note 8.

(Continued)

(j) Short-term and long-term loans

The details, terms and clauses of the Consolidated Company's short-term and long-term loans were as follows:

(i) Short-term loans

	December 31, 2018			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Secured loans	THB	2.25~4.9521	2019	$ 301,402
Unsecured loans	USD	1.93~3.89113	2019	999,328
Unsecured loans	EUR	0.54	2019	105,493
Total				$ 1,406,223

	December 31, 2017			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Secured loans	THB	2.98~3.60	2018	$ 109,560
Unsecured loans	USD	1.20~2.29	2018	1,574,365
Unsecured loans	EUR	0.44~1.62	2018	106,589
Total				$ 1,790,514

As of December 31, 2018 and 2017, the unused credit facilities of the Consolidated Company's short-term loans amounted to $4,175,238 thousand, and $3,864,268 thousand, respectively.

(ii) Long-term loans

	December 31, 2018			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Secured loans	THB	4.50~4.75	2019	$ 8,334
Current				$ 8,334
Non-current				-
Total				$ 8,334

	December 31, 2017			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Secured loans	THB	4.50	2019	$ 50,271
Current				$ 42,270
Non-current				8,001
Total				$ 50,271

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Please refer to note 6(w) for related information of risk exposure to interest risk, currency risk and liquidity risk.

(iii) Collateral of loans

As of December 31, 2018 and 2017, the Consolidated Company has mortgaged its assets as collateral of loans, please refer to note 8.

(k) Provisions

	Allowance for sales returns and discounts
Balance at at January 1, 2017	$ 478,514
Provisions made during the year	96,972
Provisions reversed during the year	(37,937)
Translation effect	(476)
Balance at December 31, 2017	$ 537,073

The provision of customer returns and discounts was based on historical experience, management's judgments and other known factors estimated product returns and discounts may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

Since the Consolidated Company adopted IFRS 15 commencing January 1, 2018, the abovementioned sales returns and discounts were recognized as refund liabilities under other current liabilities. Please refer to note 6(r).

(l) Bonds payable

The informations of the bonds payable for the Consolidated Company were as follows:

	December 31, 2018	December 31, 2017
Unsecured convertible bonds	$ 151,155	148,389
Translation effect	(1,759)	(7,712)
Bonds payable of ending balance	$ 149,396	140,677
Equity component－conversion options (non-controlling interests)	$ 10,519	10,519

	2018	2017
Interest Expenses (financial costs)	$ 10,478	11,922

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Due to the issued date of abovementioned bonds payable was on August 18, 2019, the Consolidated Company reclassified convertible bonds of $149,396 thousand to current liabilities－bonds payable on August 18, 2018.

(i) On August 20, 2014, Draco issued 6,000,000 unsecured convertible bonds, with a par value of THB100, raising $564,540 thousand (approximately THB600,000 thousand) in cash. The Company purchased 4,417,944 units of shares on August 20, 2017, which amounted to $415,905 thousand (approximately THB441,794 thousand). In July 2017, the Company made an additional payment of $7,963 thousand to convert its 2,667,944 bonds in hand into 47,761 thousand Draco's common shares, with a conversion price of THB100 per bond. As of December 31, 2017, the Company has fully converted its convertibles bonds issued by Draco.

When a company holds the convertible bonds issued by its subsidiary, the bonds held shall be viewed as redeemed bonds of the issuer.

(ii) The information of the outstanding bonds were as follows:

	December 31, 2018	December 31, 2017
Total amount of convertible bonds	$ 564,540	564,540
Accumulated amount of converted bonds	(407,495)	(407,495)
Translation effect	(7,050)	(13,046)
Bonds payable	$ 149,995	143,999

(iii) When the convertible bonds were issued, the call options and put options embedded in bonds payable were separated and recognized as equity and liability as follows:

	Issuance (August 20, 2014)
Present value under compound interest of convertible bonds	$ 524,646
Equity component－conversion option	39,894
	$ 564,540

(iv) The underwriting processing fee was $4,215 thousand for the issuance. Terms of the bonds are as follows:

1) Coupon rate: 5.19%

2) Effective rate: 7.20%, interest is paid on June 30, and December 31, yearly.

3) Period: 5 years (August 20, 2014 to August 19, 2019)

4) Conversion period: From December 31, 2014, the bondholders have the right to ask for conversion of the bonds on June 30, December 31 and the expiry date.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Conversion price: The price has been set as THB$5.4 per share at initial issuance. During the convertible period, the price for conversion of the bonds is THB$5.40 (face value THB$100 per bond) into 17.901852 shares and paid the supplementary cash THB$3.33 per share. The total amount of the shares to the conversion shall not be over 107,411 thousand shares.

6) Draco PCB Co., Ltd. has no right to repurchase the bonds in advance and the bondholders have no right to redeem the bonds.

(m) Operating leases

Non-cancellable rental payables of operating leases for the Consolidated Company were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 48,582	29,666
Between one and five years	98,388	50,930
Over five years	-	492
	$ 146,970	81,088

The Consolidated Company leases factory facilities and parking space under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2018 and 2017, lease costs and expenses were $56,536 thousand and $49,285 thousand, respectively.

(n) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Consolidated Company were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 407,830	462,867
Fair value of plan assets	(454,088)	(455,629)
Net defined benefit liability (asset)	$ (46,258)	7,238

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and Chunghwa Post Co., Ltd. that provides pensions for employees and managers upon retirement. The plans (covered by the Labor Standard) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Consolidated Company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Consolidated Company's Bank of Taiwan and Chunghwa Post Co., Ltd labor pension reserve account balance amounted to $404,542 thousand and $49,546 thousand, respectively, as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Consolidated Company's defined benefit obligations for the years ended December 31, 2018 and 2017 were as follows:

		2018	**2017**
Defined benefit obligation at January 1	$	462,867	481,378
Current service costs and interest		12,130	12,403
Remeasurements of the net defined benefit liability (asset)			
－Actuarial gains and losses arising from changes in financial assumptions		6,891	(13,398)
Past service cost and settlement gains		(40,401)	-
Benefits paid		(33,657)	(17,516)
Defined benefit obligation at December 31	**$**	**407,830**	**462,867**

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

The movements in the fair value of the Consolidated Company's plan assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 455,629	451,491
Remeasurements of the net defined benefit liability (asset)		
－The return on plan assets (excluding amounts included in the interest during this period)	7,133	6,622
－Actuarial gains and losses arising from changes in financial assumptions	9,925	(2,088)
Contributions made	15,058	17,120
Benefits paid	(33,657)	(17,516)
Fair value of plan assets at December 31	$ 454,088	455,629

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized on profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current service costs	$ 4,800	5,255
Net interest on the defined benefit liability	197	526
Past service cost and settlement gains	(40,401)	-
	$ (35,404)	5,781

	2018	2017
Operating costs	$ 3,215	4,328
Selling expenses	410	344
Administration expenses	1,232	1,005
Research and development expenses	140	104
	$ 4,997	5,781

Due to a number of employees agreeing to a curtailment for the year ended December 31, 2018, the Company has reduced the defined benefit retirement obligations of $40,401 thousand and recognized the reduction in benefits which was recorded a reduction of operating cost.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Remeasurement of the net defined benefit liability and asset recognized in other comprehensive income

The Consolidated Company's remeasurements of the net defined benefit liability and asset recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Cumulative amount at January 1	$	2,232	13,542
Recognized during the period		(3,034)	(11,310)
Cumulative amount at December 31	$	(802)	2,232

6) Actuarial assumptions

The Consolidated Company's assumptions used on calculating the present value of the defined benefit obligation at reporting date were as follows:

	2018.12.31	2017.12.31
Discount rate	1.00%~2.47%	1.00%~2.57%
Future salary increases rate	1.00%~5.00%	1.00%~5.00%

The expected contribution to be made by the Consolidated Company to the defined benefit plans for the next annual reporting period is $13,591 thousand.

The weighted average duration of the defined benefit obligation of employee and manager is 19.24 years and 8.43 years, respectively.

7) Sensitivity analysis for actuarial assumption

As of December 31, 2018 and 2017, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations was as follows:

		The impact of defined benefit obligation	
		Increase	Decrease
At December 31, 2018			
Discount rate (changes 0.25%)	$	(13,936)	14,773
Future salary increase rate (changes 0.25%)		14,515	(13,764)
At December 31, 2017			
Discount rate (changes 0.25%)		(17,039)	17,875
Future salary increase rate (changes 0.25%)		17,728	(16,986)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability (asset) is the same.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

The Consolidated Company contributes an amount equal to 6% of the employee's monthly. The Consolidated Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Consolidated Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Consolidated Company's pension costs under the defined contribution method were $179,587 thousand and $195,338 thousand for the years ended December 31, 2018 and 2017, respectively.

(iii) Short-term employee benefit

		December 31, 2018	December 31, 2017
Annual leave benefit (recorded under other payables)	$	42,042	56,649

(o) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the Company's corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

(i) Income tax expense

The amounts of the Consolidated Company's income tax for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current tax expense			
Current period	$	236,860	779,456
10% surtax on unappropriated retained earnings		33,634	93,731
Adjustment for prior periods		(142,965)	16,375
		127,529	889,562
Deferred tax expense			
Origination and reversal of temporary differences		(128,181)	(144,869)
Adjustment for prior deferred tax		143,988	-
Adjustment in tax rate		69,508	-
Income tax expenses from continuing operations	$	212,844	744,693

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The amounts of the Consolidated Company's income tax expense recognized under other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Items that may not be reclassified into profit and loss:			
Remeasurments of defined benefit asset	$	(621)	(1,923)

Reconciliations of the Consolidated Company's income tax expense (benefit) and income before tax for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Income before tax	$	375,069	2,240,902
Income tax using the Company's domestic tax rate	$	75,014	380,953
Effect of tax rates in foreign jurisdiction		(106,774)	254,698
Dividend income		152	129
Adjustment in tax rate		69,508	-
Under estimate of prior years' income tax		1,023	16,375
Tax-exempt income		(12,399)	(12,669)
10% surtax on unappropriated retained earnings		33,634	93,731
Current-year for which no deferred tax asset was recognized		47,413	39,422
Adjustment according to tax low		114,682	-
Tax credits utilized		(16,821)	-
Others		7,412	(27,946)
Total	$	212,844	744,693

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

The Consolidated Company's deferred tax assets have not been recognized in respect of the following items:

		December 31, 2018	December 31, 2017
The carryforward of unused tax losses	$	150,277	97,978

Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the Consolidated Company can utilize the benefits therefrom.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2018, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of loss	Unused amount	Year of expiry
2014	$ 50,150	2019
2015	107,690	2020
2016	131,106	2021
2017	197,104	2022
2018	237,065	2023
	$ 723,115	

2) Recognized deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory devaluation loss	Loss allowance (allowance for bad debts and sales discounts)	Refund liabilities (provisions)	Others	Total
Balance at January 1, 2018	$ 3,228	21,250	20,938	94,445	6,120	145,981
Recognized in profit or loss	222	17,056	744	18,687	(3,053)	33,656
Recognized in other comprehensive income	359	-	-	-	-	359
Balance at December 31, 2018	$ 3,809	38,306	21,682	113,132	3,067	179,996
Balance at January 1, 2017	$ 5,813	15,346	21,469	84,023	10,125	136,776
Recognized in profit or loss	(2,023)	5,904	(531)	10,423	(4,005)	9,768
Recognized in other comprehensive income	(1,923)	-	-	-	-	(1,923)
Balance at December 31, 2017	$ 1,867	21,250	20,938	94,446	6,120	144,621

Deferred tax liabilities:

	Gain from investment using equity method	Defined benefit plans	Others	Total
Balance at January 1, 2018	$ 506,667	1,361	92	508,120
Recognized in profit or loss	107,857	10,720	394	118,971
Recognized in other comprehensive income	-	980	-	980
Balance at December 31, 2018	$ 614,524	13,061	486	628,071
Balance at January 1, 2017	$ 641,476	-	384	641,860
Recognized in profit or loss	(134,809)	-	(292)	(135,101)
Balance at December 31, 2017	$ 506,667	-	92	506,759

(Continued)

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2015.

(p) Share capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the total value of authorized nominal ordinary shares amounted to $4,500,000 thousand, with par value of $10 per share, of which 397,495 thousand shares of common stocks were outstanding. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$ 630,382	630,382
Conversion of convertible bonds ordinary shares	937,936	937,936
	$ 1,568,318	1,568,318

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special earnings reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. The remainder, if necessary, is subject to special reserve. The distribution of remainder earning should be amounts directors' and supervisors' remuneration, employee bonuses and stockholders' dividends and bonuses in the percentage amounts of 0.5% to 5%, 2% to 10% and 20% to 80%. After the distribution, the remainder is unappropriated earnings.

According to the Company's Articles of Incorporation, the Company's dividend policy will consider its operating environment, steady profitability, sufficiency of its cash for future expansion, financial plan and the balance of dividends. The Board of Directors then proposes the appropriations and presents this proposal for approval at the shareholders' meeting. The Company stipulated a dividend policy that at least 20% of income after tax may be distributed as cash dividends, and if the Company has sufficient cash acquired from the outer, the ratio of distribution as cash dividends will be 50%. The actual appropriations are based on profit and the requirement of cash which are adjusted and approved by the stockholders' meeting.

The appropriations of 2017 and 2016 earnings have been approved by the Company's shareholders in its meetings held on June 29, 2018, and June 22, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Amount per share (NT dollars)	**Total Amount**	**Amount per share (NT dollars)**	**Total Amount**
Dividends distributed to common stockholders:				
Cash	$ 2.25	894,365	3.20	1,271,985

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign	Available-for-sale financial assets	Non-controlling interests	Total
Balance at January 1, 2018	$ (147,251)	17,847	(7,530)	(136,934)
Effects of retrospective application	-	(17,847)	-	(17,847)
Balance at January 1, 2018 after adjustments	(147,251)	-	(7,530)	(154,781)
Foreign exchange differences arising from foreign operation	5,071	-	232	5,303
Balance at December 31, 2018	**$ (142,180)**	**-**	**(7,298)**	**(149,478)**

	Foreign exchange differences arising from foreign	Available-for-sale financial assets	Non-controlling interests	Total
Balance at January 1, 2017	$ 37,522	34,846	(7,143)	65,225
Foreign exchange differences arising from foreign operation	(184,773)	-	(387)	(185,160)
Unrealized gains from available-for-sale financial assets	-	40,400	-	40,400
Cumulative losses reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(57,399)	-	(57,399)
Balance at December 31, 2017	**$ (147,251)**	**17,847**	**(7,530)**	**(136,934)**

(q) Earnings per share

The calculation of the Company's basic and diluted earnings per share for years ended December 31, 2018 and 2017 were as follows:

(i) Basic EPS

	2018	2017
Net income attributable to common shareholders of the Company	**$ 163,311**	**1,500,804**
Weighted-average number of common shares outstanding (thousand shares)	**397,495**	**397,495**
Basic EPS (New Taiwan dollars)	**$ 0.41**	**3.78**

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Diluted EPS

	2018	2017
Net income attributable to common shareholders of the Company	$ 163,311	1,500,804
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Influence of potentially dilutive shares－		
Remueration to employees (thousand shares)	471	1,835
Weighted-average number of shares outstanding－diluted (thousand shares)	397,966	399,330
Diluted EPS (New Taiwan dollars)	$ 0.41	3.76

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

The Consolidated Company is engaged in one industry which manufactures and sells printed circuit boards. The disaggregation of revenue by primary geographical markets for the year ended December 31, 2018 was as follows:

	2018			
	Taiwan	China	Others	Total
Taiwan	$ 594,572	-	34,667	629,239
United states	3,168,277	29,550	224,272	3,422,099
Germany	2,200,371	156,458	163,713	2,520,542
Hungary	1,091,663	98,338	1,322	1,191,323
China	1,845,906	1,401,240	420,386	3,667,532
Others	5,833,011	678,370	2,231,772	8,743,153
	$ 14,733,800	2,363,956	3,076,132	20,173,888

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes receivable	$ 6,267	12,982
Account receivable	3,755,074	4,562,951
Less: loss allowance	95,422	84,584
Total	$ 3,665,919	4,491,349

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Refund liabilities (recorded under other current liabilities)

	December 31, 2018
Sales return and discounts	$ 550,267

The refund liabilities are expected payment to customers contingent on sales returns and discounts in the future. The amount recognized for refund liabilities is based on historical experience and other known factors and is treated as reduction of operating revenue when products are sold.

(s) Revenue

The details of the Consolidated Company's revenue for the year ended December 31, 2017 were as follows:

	2017
Sale of goods	$ 23,906,148
Income of processing	17,385
	23,923,533
Less: sales return and discount	(277,922)
	$ 23,645,611

(t) Remuneration to employees, directors and supervisors

In accordance with the Company's articles of incorporation, the Company should contribute no less than 2%~10% of profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2018 and 2017, the Company accrued and estimated the remuneration to employee amounting to $5,313 thousand and $71,807 thousand, respectively, and directors and supervisors amounting to $2,680 thousand and $11,340 thousand, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating costs or expenses during 2018 and 2017. The related information can be accessed from Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Non-operating income and expenses

(i) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest income	$	91,657	91,093
Rental income		840	794
Dividend income		759	759
Gains on writ-off from accrued expense		4,975	-
Other income－other			
Compensation income		57,053	97,530
Other		202,771	195,485
Subtotal other income－other		259,824	293,015
Total other income	$	358,055	385,661

(ii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Loss on disposal of property, plant and equipment	$	(10,179)	(17,591)
Gain on disposal of investments		-	57,399
Net on foreign exchange gain (loss)		75,200	(162,755)
Gains on financial assets measured at fair value through profit and loss		50,461	-
Miscellaneous disbursements		(454,844)	(8,416)
Other gains and losses		(480,020)	-
Other gains and losses, net	**$**	**(819,382)**	**(131,363)**

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest expense	$ 58,657	48,538

(v) Reclassification of components of other comprehensive income

The details of the Consolidated Company's reclassification of components of other comprehensive were as follows:

	2018	2017
Available-for-sale financial assets		
Net change in fair value for current year	$ -	40,400
Net change in fair value reclassified to profit or loss	-	(57,399)
Net changes in fair value recognized in other comprehensive income	$ -	(16,999)

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The book value of financial assets represents the maximum risk exposure. The maximum risk exposure amounts were $9,357,673 thousand and $10,753,287 thousand as at December 31, 2018 and 2017, respectively.

2) Concentration of credit risk

In 2018 and 2017, the Consolidated Company's counterparties of account receivables transaction mainly locate in China, Germany, and the United States. As of December 31, 2018 and 2017, the balance of accounts receivable from those region accounted for 47% and 48%, respectively, of the total balance.

3) Credit risk of receivables and other financial assets at amortized cost

For the information of credit risk exposure for notes and accounts receivable, please refer to note 6(e).

Other financial assets measured at amortized cost include other receivables, refund deposits and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 moths expected losses. Regarding how the financial instruments are considered to have low credit risk by the Consolidated Company, please refer to note 6(g).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured loans	$ 301,402	312,256	312,256	-	-	-
Unsecured loans	1,104,821	1,129,299	1,129,299	-	-	-
Current portion of long-term loans	8,334	8,730	8,730	-	-	-
Notes payable	840,259	840,259	840,259	-	-	-
Accounts payable	2,352,837	2,352,837	2,352,837	-	-	-
Other payables	978,812	978,812	978,812	-	-	-
Bonds payable	149,396	149,995	149,995	-	-	-
	$ 5,735,861	**5,772,188**	**5,772,188**	**-**	**-**	**-**
December 31, 2017						
Non-derivative financial liabilities						
Secured loans	$ 109,560	112,847	112,847	-	-	-
Unsecured loans	1,680,954	1,716,086	1,716,086	-	-	-
Current portion of long-term loans	42,270	44,172	44,172	-	-	-
Notes payable	965,686	965,686	965,686	-	-	-
Accounts payable	2,729,313	2,729,313	2,729,313	-	-	-
Other payables	811,948	811,948	811,948	-	-	-
Bonds payable	140,677	143,999	-	143,999	-	-
Long-term loans	8,001	8,361	-	8,361	-	-
	$ 6,488,409	**6,532,412**	**6,380,052**	**152,360**	**-**	**-**

The Consolidated Company does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

The Consolidated Company's financial assets and liabilities exposured to significant foreign currency risk were as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets:						
Monetary items:						
USD	$ 140,318	30.7340	4,312,533	206,952	29.7050	6,147,509
JPY	602,597	0.2772	167,040	1,004,243	0.2637	264,819
EUR	8,476	35.1644	298,053	11,434	35.5296	406,245
THB	406,064	0.9481	384,989	371,037	0.9102	337,718
CNY	87,646	4.4770	392,391	113,392	4.5588	516,931
Financial liabilities:						
Monetary items:						
USD	89,732	30.7340	2,757,823	95,252	29.7050	2,829,461
JPY	46,078	0.2772	12,773	84,074	0.2637	22,170
EUR	5,659	35.1644	198,995	5,338	35.5296	189,657
THB	59,148	0.9481	56,078	96,667	0.9102	87,986

2) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, other financial assets, loans and borrowings, and accounts and other payables that are denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the TWD against the USD, JPY, EUR, THB and CNY as of December 31, 2018 and 2017, would have increased or decreased the net profit after tax by $20,235 thousand and $37,715 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Due to the numerous type of functional currency of the Consolidated Company, the Consolidated Company disclose its exchange gains and losses of monetary items aggregately. The Consolidated Company's exchange gain (loss), including realized and unrealized, were $75,200 thousand and $(162,755) thousand for the years ended December 31, 2018 and 2017, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Consolidated Company's financial assets and liabilities.

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Consolidated Company's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate increases or decreases by 1%, the Consolidated Company's net income will have increased or decreased by $3,961 thousand and $3,564 thousand, respectively, for the years ended December 31, 2018, and 2017. This were mainly due from the Consolidated Company's loans and time deposits on floating rates.

(v) Fair value information

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Consolidated Company's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	December 31, 2018				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 1,046,338	1,046,338	-	-	1,046,338
Financial assets measured at amortized cost					
Cash and cash equivalents	4,077,954	-	-	-	-
Accounts and notes receivable	3,665,919	-	-	-	-
Other receivables	71,818	-	-	-	-
Other financial assets－current and non-current	1,541,982	-	-	-	-
Subtotal	9,357,673	-	-	-	-
Total	$ 10,404,011	1,046,338	-	-	1,046,338

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss					
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,406,223	-	-	-	-
Long-term loans	8,334	-	-	-	-
Notes and accounts payable	3,193,096	-	-	-	-
Other payables	978,812	-	-	-	-
Bonds payable	149,396	-	-	-	-
Subtotal	5,735,861	-	-	-	-
Total	$ 5,735,861	-	-	-	-

	December 31, 2017				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic beneficiary certification－open ended fund	$ 1,516,642	1,516,642	-	-	1,516,642
Domestic OTC stocks	12,641	12,641	-	-	12,641
Subtotal	1,529,283	1,529,283	-	-	1,529,283
Loans and receivables					
Cash and cash equivalents	4,382,371	-	-	-	-
Notes and accounts receivable	4,491,349	-	-	-	-
Other receivables	61,375	-	-	-	-
Other financial assets	1,818,192	-	-	-	-
Subtotal	10,753,287	-	-	-	-
Total	$ 12,282,570	1,529,283	-	-	1,529,283

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,790,514	-	-	-	-
Long-term loans (including current portion)	50,271	-	-	-	-
Notes and accounts payable	3,694,999	-	-	-	-
Other payables	811,948	-	-	-	-
Bonds payable	140,677	-	-	-	-
Total	$ 6,488,409	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

If financial instrument have quoted price in an active market, using the quoted price as fair value.

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (included OTC stocks and open-ended funds).

b) Derivative financial instrument

The forward exchange contract is usually priced by the forward exchange rate from financial institutions.is

3) Fair value hierarchy

The Consolidated Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Transfers from Level 1 financial instrument to Level 2 financial instrument

There was no significant transfer from level 2 financial instrument to level 1 financial instrument for the years ended December 31, 2018 and 2017.

(x) Financial risk management

(i) Overview

The Consolidated Company has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Consolidated Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Consolidated Company's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors of the Consolidated Company is full responsible for the establishment and management of the Consolidated Company's risk management framework and policies. It is developed and managed by the committee which is authorized by the Board of Directors and the committee reports to the Board of Directors regarding the frameworks operations regularly.

The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Company's activities. The Consolidated Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Consolidated Company's Board of Directors oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The supervisors are assisted in its oversight role by Internal Audit with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and supervisors.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers and investment securities.

1) Trade and other receivables

The Consolidated Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Consolidated Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Consolidated Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Consolidated Company's benchmark creditworthiness may transact with the Consolidated Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits, fix income investment and other financial instruments are measured and monitored by the Consolidated Company's finance department and reported to the management by authority. Since those who transact with the Consolidated Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues.

Hence, there is no significant credit risk.

3) Guarantees

The Consolidated Company's policy allows it to provide financial guarantees to directly and indirectly more them 50% owned subsidiaries. Financial guarantees provided by the Consolidated Company as of December 31, 2018 and 2017, are disclosed in note 13.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Consolidated Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Consolidated Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Consolidated Company has unused short term bank facilities of $4,175,238 thousand and $3,864,268 thousand, respectively, as of December 31, 2018 and 2017.

(v) Market risk

Market risk represents the potential loss arising from the decrease in the value of a financial instrument caused primarily by changes in interest rates, foreign exchange rates, or the price of financial produces. The Consolidated Company maintains its foreign currency positions within prescribed limits and signs the forward exchange contracts in order to manage market risk from changes in foreign exchange rates.

Financial assets measured at fair value through profit or loss (available-for-sale financial assets) are listed stocks and mutual funds, which may fluctuate with changes in equity price. In order to manage market risk, the Consolidated Company carefully selects trust companies with good reputations to engage in financial instrument transactions.

The Consolidated Company' financial assets－bank balances and time deposits and financial liability－short-term and long-term loans are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(y) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Consolidated Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Consolidated Company's debt-to-capital ratio at the end of the reporting period was as follows:

		December 31, 2018	December 31, 2017
Total liabilities	$	7,694,362	9,043,490
Less: cash and cash equivalents		4,077,954	4,382,371
Net debt	$	3,616,408	4,661,119
Total equity	$	15,461,472	16,185,896
Debt-to-capital ratio		23%	29%

As of December 31, 2018, there were no changes in the Consolidated Company's approach of capital management.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(z) Investing and financing activities not affecting current cash flow

The Consolidated Company did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2018 was as follows:

		Cash flows		Non-cash changes		
	January 1, 2018	Acquisition	Repayments	Foreign exchange movement	Fair value movement	December 31, 2018
Long-term borrowings (including current portion)	$ 50,271	-	(43,338)	1,401	-	8,334
Short-term borrowings	1,790,514	4,303,746	(4,655,812)	(32,225)	-	1,406,223
Total liabilities from financing activities	$ 1,840,785	4,303,746	(4,699,150)	(30,824)	-	1,414,557

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company.

(b) Management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 51,458	70,457
Post-employment benefits	916	2,197
Termination benefits	445	-
Other long-term benefits	8	24
	$ 52,827	72,678

In both 2018 and 2017, the Consolidated Company provided six vehicles at cost of $3,778 thousand for key management personnel.

(8) Pledged assets

The Consolidated Company's carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Property, plant and equipment			
Land	Short-term and long-term bank loan	$ 31,372	30,118
Buildings	Short-term and long-term bank	161,262	188,066
		$ 192,634	218,184

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Significant commitments and contingencies

(a) As of December 31, 2018 and 2017, the Consolidated Company's had outstanding letters of credit for purchase of material and equipment amounting approximately to $3,305 thousand and $2,816 thousand, respectively, on which the Consolidated Company paid no deposits.

(b) As of December 31, 2018 and 2017, the Consolidated Company provided guarantee notes amounting to $1,376,400 thousand and $696,400 thousand, respectively, for usance letters of credits, domestic letters of credit and guarantees for the Consolidated Company's hiring of foreign labors. The customs duty guaranteed by the Consolidated Company for importing raw materials were $15,000 thousand and $31,260 thousand, respectively, as December 31, 2018 and 2017.

(c) For expanding the factory, the Consolidated Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was $1,575,882 thousand and $702,781 thousand as of December 31, 2018 and 2017, respectively, of which the Consolidated Company had paid $1,237,123 thousand and $543,261 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.

(10) Significant losses from calamity

A fire occurred in some of the Company's plants on April 28, 2018, destroying parts of the building, equipment and inventory, which resulted in recovery and indemnity expenses. The estimated loss from the incident amounted to $902,744 thousand, and the insurance claim received was $350,000 thousand. The aforementioned amounts were recognized under other gains and losses for the fiscal year ended December 31, 2018. Though the related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of the reporting date, the insurance compensation has not been determined for the reason that the amount is highly subject to investigation. The Company will recognize the insurance income in the subsequent periods when the amount can be reasonably estimated.

(11) Significant subsequent events

On February 25, 2019, the Company received an indictment, with case number 108-Zhen-829 and 108-Zhen-2491, from the Taoyuan district prosecutor's office. The chairman of the Company’s board of directors and 6 former and current employees of the Pingzhen third plant were accused of causing fire disaster, which led to an offense of negligent manslaughter resulting from the fire incident that occurred on April 28, 2018. The chairman and the said employees will fully cooperate with the Court in its investigation on this matter. So far the incident did not have any significant impact on the Company’s operating and financial activities.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Other

A summary of employee benefit expenses, depreciation, depletion and amortization by function, were as follows:

By function / By nature	Year ended December 31 2018			Year ended December 31 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	3,318,345	321,467	3,639,812	4,015,182	356,006	4,371,188
Labor and health insurance	293,160	25,161	318,321	334,532	23,310	357,842
Pension	163,088	21,496	184,584	181,285	19,834	201,119
Directors' remuneration	-	5,320	5,320	-	13,980	13,980
Others	274,263	26,140	300,403	287,478	29,893	317,371
Depreciation	1,045,363	25,976	1,071,339	1,105,936	27,089	1,133,025
Amortization	-	-	-	-	-	-

A fire occurred in some of the Company's plants on April 28, 2018, destroying parts of the building, equipment and inventory, leaving the production lines of the plant to cease their operation. The Company, therefore, recorded the related employee benefit expenses, including salary, pension, labor and health insurance, and severance payment amounting to $298,280 thousand, under other gains and losses.

For the year ended December 31, 2018, the Consolidated Company's pension costs excluded the curtailment gains of $40,401 thousand. Please refer to note 6(n).

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidated Company in 2018:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn (Note 3)	Range of interest rates	Purposes of fund financing for the borrowers (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables from related parties	Yes	933,030	922,020	922,020	2.94428~ 3.64838	2	-	Operating capital	-		-	3,572,428 (Note 1)	3,572,428 (Note 1)

Note 1: The total amount lending to the subsidiaries and each borrowing company shall not be over 50% of the net worth of Chin Poon Holdings Cayman Limited.

Note 2: Nature of financing activities as follows:

(1) if there are transactions between these two parties, the number is "1".

(2) if it is necessary to loan to other parities, the number is "2".

Note 3: The transaction has already been written off in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party (Note 2)	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements (Note 2)	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements (Note 2)	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the company (Note 1)										
0	CHIN-POON INDUSTRIAL CO., LTD.	Chin-Poon (Changshu) Electronic Co., Ltd	2	3,089,608	311,010	307,340	184,404	-	1.99%	3,862,010	Y	N	Y

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The total amount of guarantee shall not exceed 25% of the Company's net worth. The total amount of guarantee provided by the Company to any individual entity shall not exceed 20% of the Company's net worth.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2016	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Beneficiary Certificate: Jih Sun Money Market	-	Available-for-sale financial assets－current	7,549,184	111,679	- %	111,679	111,679	
The Company	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets－current	9,549,204	98,556	- %	98,556	98,556	
The Company	Allianz Glbl Inv Global Bd A	-	Available-for-sale financial assets－current	2,516,420	30,071	- %	30,071	31,379	
Draco PCB Public Co., Ltd.	TMB Money Fund	-	Available-for-sale financial assets－current	180,000,000	806,032	- %	806,032	1,324,036	

Note 1: The transaction has already been written off in the consolidated financial statements.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
Chin-Poon (Changshu) Electronic Co., Ltd	CR Yuanta Cash Earning	Available-for-sale financial assets－current	CR Yuanta Fund	-	280,000,000	1,276,634	302,000,000	1,352,047	402,000,000	1,845,041	1,799,745	(22,904)	18,000,000	806,032

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount (Note 2)	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance (Note 2)	Percentage of total accounts / notes receivable (payable)	
Chin Poon Holdings Cayman Limited	The Company	Parent company	Purchase	192,021	17.10 %	Note 1	Note 1	Note 1	(43,997)	(14.86)%	
The Company	Chin Poon Holdings Cayman Limited	Subsidiaries	(Sale)	(192,021)	(1.24) %	Note 1	Note 1	Note 1	43,997	1.58%	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	3,373,025	36.77 %	Note 1	Note 1	Note 1	(912,001)	(33.26)%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	(Sale)	(3,373,025)	(49.74) %	Note 1	Note 1	Note 1	912,001	47.44%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	Purchase	307,308	7.43 %	Note 1	Note 1	Note 1	(268,565)	(0.02)%	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	(Sale)	(307,308)	(1.98) %	Note 1	Note 1	Note 1	268,565	9.66%	
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	887,244	79.00 %	Note 1	Note 1	Note 1	(243,849)	(82.35)%	
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent-company	(Sale)	(887,244)	(13.08) %	Note 1	Note 1	Note 1	243,849	12.69%	
Chin Poon Japan Co., Ltd.	The Company	Parent-company	Purchase	170,118	99.70 %	Note 1	Note 1	Note 1	(55,620)	(99.86)%	
The Company	Chin Poon Japan Co., Ltd.	Subsidiaries	(Sale)	(170,118)	(1.09) %	Note 1	Note 1	Note 1	55,620	2.00%	
The Company	Draco PCB Public Co., Ltd.	Subsidiaries	Purchase	256,789	2.80 %	Note 1	Note 1	Note 1	(38,868)	(1.42)%	
Draco PCB Public Co., Ltd.	The Company	Parent-company	(Sale)	(256,789)	(13.00) %	Note 1	Note 1	Note 1	38,868	10.64%	

Note 1: The sales and purchase prices are based on the market prices. The terms of collection and payment are not significantly different from those to third parties.

Note 2: The transaction has already been written off in the consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note 1)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	Chin Poon Holdings Cayman Limited	Subsidiaries	912,001	4.36	-		912,001 (As at March 15, 2019)	-
The Company	Chin Poon Japan Co., Ltd.	Subsidiaries	243,849	3.74	-		243,849 (As at March 15, 2019)	-
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	268,565	2.22	-		163,620 (As at March 15, 2019)	-
Chin-Poon (Changshu) Electronic Co., Ltd	Draco PCB Public Co., Ltd.	Parent-subsidiaries	930,199 (note 2)	-	-		- (As at March 15, 2019)	-

Note 1: The transaction has already been written off in the consolidated financial statement.

Note 2: Included principle $922,020 thousand and other receivables of interest $8,179 thousand.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

			(Note 2)				assets(Note4)
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd	1	Cost of goods sold	3,373,025	Note 3	16.72%
0	The Company	Chin Poon Japan Co., Ltd.	1	Sales revenue	912,001	Note 3	3.94%
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd	1	Accounts payable-related parties	256,789	Note 3	1.27%
1			3		887,244		4.40%

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets(Note4)
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	3	Cost of goods sold	930,199	Note 3	4.02%
0	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	1	Other receivable-related parties	307,308	The rate of interests are determined in accordance with mutual agreement	1.52%

Note 1: Company numbering is as follows:
(1) Parent company - 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) 1 represents downstream transactions.
(2) 2 represents upstream transactions.
(3) 3 represents sidestream transactions.

Note 3: The sales and purchase prices are based on the market prices. The terms of collection and payment are not significantly different from those to third parties.

Note 4: For balance sheet items, over 1% of total consolidated assets, and for profit or loss items, over 1% of total consolidated revenue were selected for disclosure.

Note 5: The transactions have already been written off in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2016	Net income of investee (Note 1)	Investment income (losses) (Note 1)	Remarks
				December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Book value (Note 1)				
The Company	VEGA International Enterprise Co., Ltd.	British Virgin Islands	Investment	4,244,069	3,917,196	131,242,925	100.00%	7,143,914	131,242,925	544,511	544,511	Subsidiary (Note 2)
The Company	Chin Poon Japan Co., Ltd.	Japan	Trading of printed circuit board	3,229	3,229	180	100.00%	6,526	180	(1,274)	(1,274)	Subsidiary (Note 2)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	1,762,846	1,762,846	416,761,385	99.58%	1,255,146	416,761,385	(258,700)	(257,613)	Subsidiary (Note 3)
VEGA International Enterprise Co., Ltd.	Chin-Poon Holdings Cayman Limited	Cayman Islands	Investment	2,756,306	2,756,306	92,354,035	100.00%	7,143,914	92,354,035	544,511	544,511	Subsidiary (Note 2)

Note 1: The transaction has already been written off in the consolidated financial statements.

Note 2: The investment income (loss) was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The financial statements was audited by on intemational accounting firm in cooperation with the R.O.C. accounting firm.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2018	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2018	Net income of investee (Notes 2 and 3)	Direct / indirect investment holding percentage	Maximum investment in 2018 (Notes 2 and 3)	Investment income (loss) (Notes 2 and 3)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Chin-Poon (Changshu) Electronic Co., Ltd	Production and trading of printed circuit board	3,688,080	(2)	2,612,390	-	-	2,612,390	480,569	100.00%	2,612,390	480,569	5,685,272	1,347,795

Note 1: The method of investment is divided into the following three categories:
(1) Invest directly in a company in Mainland China.
(2) Through the establishment of third-region companies then investing in Mainland China. (The Company invests Chin-Poon (Changshu) Electronic Co., Ltd. through Chin Poon Holdings Cayman Limited.)
(3) Other methods.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The transaction has already been written off in the consolidated financial statements.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.734)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Company name	**Accumulated investment amount in Mainland China as of 2018**	**Investment (amount) approved by Investment Commission, Ministry of Economic Affairs**	**Maximum investment amount set by Investment Commission, Ministry of Economic Affairs**
CHIN-POON INDUSTRIAL CO., LTD.	2,612,390	3,841,750	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 10720430500, and the certification is valid from October 29, 2018 to October 28, 2021. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.734).

(iii) Significant transactions:

Related refer to note 13(a) for the indirect and direct business transactions in China. All transactions were eliminated upon consolidation.

(14) Segment information:

(a) General information

There are three service departments which should be reported: Taiwan, China and Others. Each department manufactures and sells related products respectively. A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The measured amounts of the assets and liabilities of the reportable segments of the Consolidated Company are not provided to the chief operating decision maker. Because taxation is managed on a Consolidated Company basis, it is not able to be allocated to each reportable segment. In addition, all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

(Continued)

Information on reportable segments and reconciliation for the Consolidated Company is as follows:

	2018				
	Taiwan	China	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 14,733,800	2,363,956	3,076,132	-	20,173,888
Inter-segment revenues	692,120	4,362,160	304,318	(5,358,598)	-
Interest revenue	36,822	46,180	39,719	(31,064)	91,657
Total revenue	$ 15,462,742	6,772,296	3,420,169	(5,389,662)	20,265,545
Interest expenses	$ 32,533	32,625	24,563	(31,064)	58,657
Depreciation and amortization	$ 532,654	381,170	157,515	-	1,071,339
Reportable segment profit or loss	$ (72,725)	677,803	(230,009)	-	375,069

	2017				
	Taiwan	China	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 17,725,692	2,525,839	3,394,080	-	23,645,611
Inter-segment revenues	738,037	3,612,046	356,133	(4,706,216)	-
Interest revenue	38,123	54,976	26,488	(28,494)	91,093
Total revenue	$ 18,501,852	6,192,861	3,776,701	(4,734,710)	23,736,704
Interest expenses	$ 22,369	22,251	32,445	(28,527)	48,538
Depreciation and amortization	$ 594,002	400,382	138,641	-	1,133,025
Reportable segment profit or loss	$ 1,488,617	928,937	(176,652)	-	2,240,902

The Consolidated Company's chief decision makers create strategies and measure performances based on operating income (losses) before taxation. As the information on segment assets and liabilities was not provided to the chief operating decision maker, the information on segment assets and liabilities was not disclosed.

For the years ended December 31, 2018 and 2017, inter-segment revenues of $5,358,598 thousand and $4,706,216 thousand respectively, should be eliminated from total revenue.

(c) Information on products and services

The Consolidated Company is engaged in one industry which manufactures and sells printed circuit boards. The revenues from outer customers are disclosed on the information of operating segments.

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment non-current assets are based on the geographical location of the assets.

Geographical information		2018	2017
Revenue from external customers:			
Taiwan	$	629,239	765,686
Germany		2,520,542	2,868,226
China		3,667,532	4,622,366
United States		3,422,099	4,518,063
Hungary		1,191,323	1,778,089
Other counties		8,743,153	9,093,181
Total	$	20,173,888	23,645,611

Geographical information		December 31, 2018	December 31, 2017
Non-current assets:			
Taiwan	$	4,320,794	4,813,240
United States		3,030,950	2,488,408
Thailand		1,071,550	1,083,944
Total	$	8,423,294	8,385,592

Non-current assets include property, plant and equipment, and other assets, but do not include financial instruments, and deferred tax assets.

(e) Information about major customers

There was no major customer whose revenue was more than 10% of operating revenue of the Consolidated Company for the years ended December 31, 2018 and 2017.

6.5 The Parent Company Only Financial Statements of the Most Recent Year with CPA's Audit Report

Stock Code:2355

CHIN-POON INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **No. 46, Nei-Tsuoh St., 3rd Lin, Nei-Tsuoh Village, Lu-Chu County, Taoyuan City, Taiwan, R.O.C.**
Telephone: **(03)3222226**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Parent Company Only Statements of Financial Position	4
5. Parent Company Only Statements of Comprehensive Income	5
6. Parent Company Only Statements of Changes in Equity	6
7. Parent Company Only Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Organization	8
(2) Approval date and procedures of the financial statements	8
(3) Application of new standards, amendments and interpretations	8～15
(4) Summary of significant accounting policies	15～27
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	27～28
(6) Description of significant accounts	28～56
(7) Related-party Transactions	56～59
(8) Pledged Assets	59
(9) Significant commitments and contingencies	59
(10) Significant losses from calamity	59
(11) Significant subsequent events	60
(12) Other	60
(13) Other disclosures	
(a) Information on significant transactions	61～62
(b) Information on investees	63
(c) Information on investment in mainland China	63
(14) Segment information	63
9. List of major account titles	64～80

Independent Auditors' Report

To The Board of Directors
Chin-Poon Industrial Co., Ltd.:

Opinion

We have audited the accompanying parent company only financial statements of Chin-Poon Industrial Co., Ltd. ("the Company"), which comprise the parent company only statement of financial position as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As disclosed in note 10 of the parent company only financial statements, a fire occurred in some of the Company's plants on April 28, 2018, which destroyed parts of the building, equipment and inventory, resulting in recovery and indemnity expenses. The estimated loss from the incident amounted to $902,744 thousand and the insurance claim received was $350,000 thousand. The aforementioned amounts were recognized under other gains and losses for the fiscal year ended December 31, 2018.Though the related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of the reporting date, the insurance compensation has yet to be determined for the reason that the amount is highly subject to investigation. The Company will recognize the insurance income in the subsequent periods when the amount can be reasonably estimated. We, therefore, did not modify our audit opinion for that matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Subsequent measurements of inventories

   Please refer to note 4(g), note 5(a) and 6(g) for the related disclosures on subsequent measurements of inventories of the parent company only financial statements.

   Description of key audit matter:

   The inventories of the Company are mainly electronic printed circuit boards and electronic materials. The products may be outdated or no longer meet the market demand due to the rapid changes in technology. In addition, with the price competition in the same industry, the demand on related products and their prices may fiercely fluctuate, which may result in a risk wherein the cost of inventories may exceed its net realizable value. As a result, the subsequent measurements of inventories has to be based on the managements' assessment using internal and external evidences. Therefore, the subsequent measurements of inventories was identified as one of our key audit matters.

   How the matter was addressed in our audit:

   The procedures included assessing the rationality of accounting policy for inventory subsequent measurements; reviewing the inventory aging documents and analyzing their changes; obtaining the documents on inventory subsequent measurements, and understanding the rationality of sales prices adopted by the management; selecting samples and examining relevant documents to verify the accuracy of net realizable value of inventories; and assessing whether the disclosure of the inventory subsequent measurements made by the management was appropriate.

2. Refund liability of sales returns and discounts

   Please refer to note 4(m), note 5(b) and note 6(r) for the related disclosures on the refund liabilities for ales returns and discounts of the parent company only financial statements.

   Description of key audit matter:

   The Company recorded a refund liability for its estimated future returns and discounts for specific electronic circuit boards by using historical trend and other known factors in the same period when related revenues were recorded. Since the refund liability for sales returns and discounts is subject to significant judgment of the management, it was, therefore, identified as one of our key audit matters.

   How the matter was addressed in our audit:

   The procedures included understanding the management's methodology used in estimating sales returns and discounts; assessing the reasonableness of relevant assumptions made by the management; obtaining the documents of refund liability for sales returns and discounts, selecting samples and examining relevant documents to verify the reasonableness of the management's methodology used in estimating refund liability of sales returns and discounts; and assessing whether the disclosure on refund liability for sales returns and discounts made by the management was appropriate.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHIN-POON INDUSTRIAL CO., LTD.

Parent Company Only Statements of Financial Position

December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 2,652,228	13	3,153,349	14
1110	Financial assets measured at fair value through profit and loss－current (note 6(b))	240,306	1	-	-
1125	Available-for-sale financial assets－current (note 6(c))	-	-	240,008	1
1150	Notes receivable, net (notes 6(e) and 6(m))	5,573	-	12,288	-
1170	Accounts receivable, net (notes 6(e) and 6(m))	2,389,755	11	3,032,800	13
1180	Accounts receivable－related parties, net (notes 6(c), 6(m) and 7)	384,005	2	297,479	1
1200	Other receivables (note 6(f))	43,155	-	41,944	-
1210	Other receivables-related parties (notes 6(f) and 7)	25,963	-	10,014	-
1220	Current tax assets	113,094	1	-	-
130x	Inventories (notes 6(g) and 9)	2,131,631	10	2,830,773	13
1410	Prepayments	49,555	-	52,078	-
1476	Other financial assets－current (note 6(b))	351,140	2	270,765	1
1479	Other current assets	61,483	-	70,258	-
	Total current assets	8,447,888	40	10,011,756	43
15xx	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(c))	-	-	12,641	-
1550	Investments accounted for under equity method (notes 6(h) and 6(i))	8,405,586	39	8,499,318	36
1600	Property, plant and equipment (notes 6(j), 7 and 9)	3,997,508	19	4,730,621	20
1840	Deferred tax assets (note 6(o))	136,550	1	112,882	1
1915	Prepayments for equipment (note 9)	323,287	1	82,619	-
1975	Net defined benefit assets－non-current (note 6(n))	65,307	-	8,008	-
1980	Other financial assets－non-current (note 6(d))	8,165	-	4,963	-
	Total non-current assets	12,936,403	60	13,451,052	57
1xxx	**Total assets**	$ 21,384,291	100	23,462,808	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(k) and 9)	$ 1,027,513	5	1,680,954	7
2150	Notes payable	840,259	4	965,686	4
2170	Accounts payable	950,764	4	1,267,797	6
2180	Accounts payable－related parties (note 7)	950,690	4	679,848	3
2200	Other payables (notes 6(n), 6(t) and 7)	957,500	4	1,259,928	5
2230	Current tax liabilities	-	-	316,858	1
2250	Provisions－current (note 6(l))	-	-	497,766	2
2399	Other current liabilities (note 6(r))	581,453	3	115,607	1
	Total current liabilities	5,308,179	24	6,784,444	29
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(o))	628,071	3	506,759	2
2xxx	**Total liabilities**	5,936,250	27	7,291,203	31
	Equity (notes 6(i), 6(n), 6(o) and 6(p)):				
3110	Common stock	3,974,954	19	3,974,954	17
3200	Capital surplus	1,568,318	7	1,568,318	7
3300	Retained earnings:				
3310	Legal reserve	2,319,521	11	2,169,441	9
3320	Special reserve	129,404	1	-	-
3350	Unappropriated earnings	7,598,024	36	8,588,296	37
		10,046,949	48	10,757,737	46
3400	Other equity:				
3410	Foreign currency translation differences for foreign operations	(142,180)	(1)	(147,251)	(1)
3425	Unrealized gains(loss) on valuation of available-for-sale financial assets	-	-	17,847	-
		(142,180)	(1)	(129,404)	(1)
3xxx	**Total equity**	15,448,041	73	16,171,605	69
2-3xxx	**Total liabilities and equity**	$ 21,384,291	100	23,462,808	100

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHIN-POON INDUSTRIAL CO., LTD.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018 Amount	%	2017 Amount	%
4000	**Operating revenue (notes 6(l), 6(r), 6(s) and 7)**	$ 15,425,920	100	18,463,729	100
5000	**Operating costs (notes 6(g), 6(m), 6(n) and 7)**	14,120,567	92	16,226,349	88
	Gross profit	1,305,353	8	2,237,380	12
5910	Less: Unrealized gains(loss) on affiliated transactions	(2,431)	-	(541)	-
	Gross profit	1,307,784	8	2,237,921	12
6000	**Operating expenses (notes 6(e), 6(m), 6(n) and 6(t)):**				
6100	Selling expenses	342,402	2	417,283	2
6200	Administrative expenses	251,033	2	274,928	1
6300	Research and development expenses	86,058	-	98,478	1
6450	Expected credit loss	8,610	-	-	-
	Total operating expenses	688,103	4	790,689	4
6900	**Operating income**	619,681	4	1,447,232	8
7000	**Non-operating income and expenses (notes 6(g), 6(j), 6(u) and 7):**				
7010	Other income	270,958	2	291,300	1
7020	Other gains and losses	(885,918)	(6)	(178,001)	(1)
7050	Finance costs	(32,533)	-	(22,369)	-
7070	Share of profit from the subsidiaries, the associates and the joint ventures	285,624	2	496,034	3
	Total non-operating income and expenses	(361,869)	(2)	586,964	3
7900	**Income before income tax**	257,812	2	2,034,196	11
7950	**Less: income tax expenses (note 6(o))**	94,501	1	533,392	3
	Net income	163,311	1	1,500,804	8
8300	**Other comprehensive income (loss) (notes 6(n), 6(o), 6(p) and 6(v)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	4,901	-	11,310	-
8330	Share of other comprehensive gains (losses) of subsidiaries, associates, and joint ventures accounted for under equity method	(1,502)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(980)	-	(1,923)	-
	Total items that will not be reclassified subsequently to profit or loss	2,419	-	9,387	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation differences for foreign operations	5,071	-	(184,773)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(668)	-
8380	Share of other comprehensive gains (losses) of subsidiaries, associates, and joint ventures accounted for under equity method	-	-	(16,331)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total Items that may be reclassified subsequently to profit or loss	5,071	-	(201,772)	(1)
8300	**Other comprehensive income (loss), net of tax**	7,490	-	(192,385)	(1)
	Total comprehensive income	**$ 170,801**	**1**	**1,308,419**	**7**
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$**	**0.41**		**3.78**
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$**	**0.41**		**3.76**

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHIN-POON INDUSTRIAL CO., LTD.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences for foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Subtotal	Total equity
Balance at January 1, 2017	$ 3,974,954	1,568,318	1,920,537	-	8,600,073	10,520,610	37,522	34,846	72,368	16,136,250
Appropriation and distribution:										
Legal reserve	-	-	248,904	-	(248,904)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,271,985)	(1,271,985)	-	-	-	(1,271,985)
Net income for the year	-	-	-	-	1,500,804	1,500,804	-	-	-	1,500,804
Other comprehensive income for the year	-	-	-	-	9,387	9,387	(184,773)	(16,999)	(201,772)	(192,385)
Total comprehensive income for the year	-	-	-	-	1,510,191	1,510,191	(184,773)	(16,999)	(201,772)	1,308,419
Changes in ownership interests in subsidiaries	-	-	-	-	(1,079)	(1,079)	-	-	-	(1,079)
Balance at December 31, 2017	3,974,954	1,568,318	2,169,441	-	8,588,296	10,757,737	(147,251)	17,847	(129,404)	16,171,605
Effects of retrospective application	-	-	-	-	17,847	17,847	-	(17,847)	(17,847)	-
Equity at beginning of period after adjustments	3,974,954	1,568,318	2,169,441	-	8,606,143	10,775,584	(147,251)	-	(147,251)	16,171,605
Appropriation and distribution:										
Legal reserve	-	-	150,080	-	(150,080)	-	-	-	-	-
Special reserve	-	-	-	129,404	(129,404)	-	-	-	-	-
Cash dividends	-	-	-	-	(894,365)	(894,365)	-	-	-	(894,365)
Net income for the year	-	-	-	-	163,311	163,311	-	-	-	163,311
Other comprehensive income for the year	-	-	-	-	2,419	2,419	5,071	-	5,071	7,490
Total comprehensive income for the year	-	-	-	-	165,730	165,730	5,071	-	5,071	170,801
Balance at December 31, 2018	**$ 3,974,954**	**1,568,318**	**2,319,521**	**129,404**	**7,598,024**	**10,046,949**	**(142,180)**	**-**	**(142,180)**	**15,448,041**

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHIN-POON INDUSTRIAL CO., LTD.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars)

		2018	2017
Cash flows from operating activities:			
Income before tax	$	257,812	2,034,196
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		532,654	594,002
Expected credit loss		8,610	-
Net loss (gain) on financial assets measured at fair value through profit or loss		(4,418)	-
Interest expense		32,533	22,369
Interest income		(36,822)	(38,123)
Dividend income		(759)	(759)
Share of loss of associates and joint ventures accounts for under equity method		(285,624)	(496,034)
Loss on disposal of property, plant and equipment		2,445	966
Gain on disposal of investments		-	(21,008)
Unrealized gain on affiliated transactions		(2,431)	(541)
Unrealized loss on foreign exchange		6,944	-
Loss from calamity		902,744	-
Total adjustments to reconcile profit and loss		1,155,876	60,872
Changes in operating assets and liabilities relating:			
Net changes in operating assets:			
Notes receivable		6,715	(552)
Accounts receivable		630,176	158,208
Accounts receivable-related parties		(86,526)	28,425
Other receivables		(1,360)	(4,643)
Other receivables-related parties		(15,832)	17,101
Inventories		320,037	(148,132)
Prepayments		2,523	(9,939)
Other current assets		(92,522)	11,469
Total net changes in operating assets		763,211	51,937
Net changes in operating liabilities:			
Notes payable		(125,427)	52,812
Accounts payable		(316,446)	(225,549)
Accounts payable－related parties		272,642	358,074
Other payables		(384,104)	(252,968)
Provisions－current		(497,766)	52,705
Other current liabilities		477,156	24,618
Net defined benefit liability		(52,398)	(12,770)
Total net changes in operating liabilities		(626,343)	(3,078)
Total net changes in operating assets and liabilities		136,868	48,859
Total adjustments		1,292,744	109,731
Cash inflow generated from operations		1,550,556	2,143,927
Interest income received		36,758	60,400
Interest paid		(31,259)	(21,452)
Income tax paid		(427,789)	(659,233)
Net cash flows from operating activities		1,128,266	1,523,642
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(178,389)	-
Proceeds from disposal of financial assets measured at fair value through profit or loss		195,150	-
Proceeds from disposal of available-for-sale financial assets		-	872,209
Acquisition of investments accounted for under equity method		-	(589,232)
Acquisition of property, plant and equipment		(180,797)	(184,745)
Proceeds from disposal of property, plant and equipment		11,416	1,898
Decrease in other receivables－related parties		-	6,913
Decrease (increase) in other financial assets－current and non-current		5,573	(270,225)
Increase in prepayments for equipment		(323,922)	(127,961)
Dividend received		386,115	118,463
Net cash flows used in investing activities		(84,854)	(172,680)
Cash flows from financing activities::			
Increase in short-term loans		3,377,278	4,859,586
Decrease in short-term loans		(4,027,446)	(4,591,558)
Cash dividends paid		(894,365)	(1,271,985)
Net cash flows used in financing activities		(1,544,533)	(1,003,957)
Net (decrease) increase in cash and cash equivalents		(501,121)	347,005
Cash and cash equivalents at beginning of period		3,153,349	2,806,344
Cash and cash equivalents at end of period	$	2,652,228	3,153,349

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

December 31, 2018 and 2017

(All amounts expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization

CHIN-POON INDUSTRIAL CO., LTD. ("the Company") was incorporated in the Republic of China (ROC) on September 26, 1979, as a corporation limited by shares in accordance with the ROC Company Act. The Company's major business includes:

(a) Manufacturing, producing and selling electronic printed circuit boards and electronic materials;

(b) Manufacturing, producing and selling models used in the punching process of electronic printed circuit boards and in steel production;

(c) Manufacturing, producing and selling insulation board; and

(d) Importing and exporting the above-mentioned products.

(2) Approval date and procedures of the financial statements

The accompanying parent company only financial statements were approved and authorized for issue by the board of directors on March 20, 2019.

(3) Application of new standards, amendments and interpretations:

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC (“FSC”)

In preparing the accompanying consolidated financial statements, the Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the items discussed below, the adoption of abovementioned standards and interpretations has not had a material impact on the parent company only financial statements.

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 “revenue from contracts with customers” (“IFRS 15”) replaces the existing revenue recognition guidance, including IAS 18, “Revenue” and IAS 11, “Construction Contracts”, and their related interpretations. It establishes a comprehensive framework using a five-step analysis model to determining whether, how much and when revenue is recognized.

The nature and impacts of changes on its accounting policies for the Company adopting the IFRS 15 are detailed below:

1) Sales of goods

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, and there is no continuing management involvement with the goods. Otherwise, the Company estimates its future returns and discounts for different types of goods by using historical trend and other known factors in the same period when related revenue is recorded. However, under IFRS 15, revenue for the sale of goods is recognized when a customer obtains control of the goods. A refund liability for estimated future returns and discount that may be paid to the customers is recorded under other current liabilities.

2) Impacts on the parent company only financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's parent company only financial statements for the year ended December 31, 2018:

	December 31, 2018			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Provisions－current	$ 488,744	(488,744)	-	497,766	(497,766)	-
Other current liabilities	-	488,744	488,744	-	497,766	497,766
Impact on liabilities		$ -			-	

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" ("IFRS 9") replaces IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of accounts receivable in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The changes on its accounting policies for the Company adopting the IFRS 9 are detailed below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on the Company's accounting policies related to financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(f).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018 (There are no change in measurement categories and carrying amounts for financial liabilities):

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Beneficiary certificates	Available-for-sale (note 1)	240,008	FVTPL	240,008
OTC Stocks on domestic markets	Available-for-sale (note 2)	12,641	FVTPL	12,641
Notes and accounts receivable and other receivables	Loans and receivables (note 3)	3,394,525	Amortized cost	3,394,525
Other financial assets－current and non-current	Loans and receivables	275,728	Amortized cost	275,728

Note 1: Upon initial adopting IFRS9, the Company elected to classify the beneficiary certificates as measured at FVTPL, which were previously classified as available-for-sale financial assets under IAS39, since the instrument are not equity instruments and its cash flow is not solely generated from the payment of outstanding principle and the related interest. As a result, a decrease of $5,030 thousand in other equity-unrealized gains (losses) on available for sale financial assets and an increase of $5,030 thousand in retained earnings as well were recognized on January 1, 2018.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Note 2: OTC Stocks on domestic markets were previously classified as available-for-sale financial assets under IAS 39. Under IFRS 39, the Company elected to classify them at the date of initial application as measured at FVTPL, resulting in a decrease of $12,641 thousand in other equity — unrealized gains (losses) on available-for-sale financial assets, and an increase of $12,641 thousand in retained earnings on January 1, 2018.

Note 3: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of the expected credit loss under IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	Carrying amount as of December 31, 2017 under IAS 39	Reclassifications	Remeasurements	Carrying amount as of January 1, 2018 under IFRS 9	Adjustments to retained earnings on January 1, 2018	Adjustments to other equity on January 1, 2018
Financial assets at FVTPL						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Reclassification from available-for-sale financial assets (IAS 39)	-	252,649	-		17,671	(17,671)
Total	$ -	252,649	-	252,649	17,671	(17,671)
Investments accounted for under equity method						
Investments accounted for under equity method (Note)	$ 8,499,318	-	-	8,499,318	176	(176)
Amortized cost						
Beginning balance of notes and accounts receivable, other receivables and other financial assets (IAS 39)	$ 3,670,253	-	-	3,670,253	-	-

Note: In connection with the retrospective adjustment made upon initial application of IFRS 9 by subsidiaries, which are accounted for using equity method, corresponding adjustments are made by the Company on January 1, 2018, resulting in a decrease in other equity–unrealized gains (losses) on available-for-sale financial assets of $176 thousand and an increase in retained earnings of $176 thousand.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Company has disclosed a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities in note 6(z) to meet the requirement as stated above.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(b) Impact of IFRS endorsed by FSC but not yet effective

According to Ruling No. 1070324857 issued on July 17, 2018 by the FSC, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except IFRS 16 "Leases", the Company believes that the initial adoption of abovementioned standards or interpretations would not have a material impact on its parent company only financial statements.

IFRS 16 "Leases" replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify its leases as finance or operating leases.

(i) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

(Continued)

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified them as leases in accordance with IAS 17 and IFRIC 4.

(ii) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Company will apply IFRS 16 using the modified retrospective approach with the cumulative effect of the initial application at the date of initial application but will not restate comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, factory facilities and warehouses. The Company estimated that its right-of-use assets and lease liabilities to increase by $397,621 thousand as at January 1, 2019 as a result of the above changes. No significant impact is expected for the Company's finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(c) The IFRS issued by IASB but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below.

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company continues in assessing the potential impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations. The potential impact will be disclosed when the assessment is complete.

(4) Summary of significant accounting policies

The significant accounting policies applied in the parent company only financial statements are set out below. The significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(a) Statement of compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent company only financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

The functional currency of each individual entity is determined based on the primary economic environment in which the entity operates. The accompanying parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. The assets and liabilities of foreign operations are translated to the Company's functional currency using the exchange rates on reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising from retranslated are recognized in profit or loss, except for the financial assets measured at fair value through other comprehensive income (available-for-sale equity investment) differences, which are recognized in other comprehensive income arising on the retranslated.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Assets and liabilities classified as current and non-current

Cash or cash equivalents, assets held for trading purposes or short-term and expected to be converted to cash within twelve months after the reporting period or for intention of sales or consumption within its normal operating cycle are classified as current assets; all other assets are classified as noncurrent assets.

Liabilities that must be fully liquidated within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as noncurrent liabilities.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are classified as cash and cash equivalents only when they satisfy the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

The Company classifies financial assets into the following categories: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss (FVTPL). A regular way purchase or sale of financial assets is recognized and derecognized, as applicable using trade date accounting.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, refundable deposits and other financial assets, etc) and other contract assets.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Loss allowance for notes and accounts receivable, and other contract assets are measured at an amount equal to lifetime ECL. Other financial assets measured at amortized cost are considered reasonable and supportable information that are relevant and available, without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Company's historical experience, informed credit assessment, and forward-looking information. Loss allowance for other financial assets measured at amortized cost are measured by using the 12-month ECL, in which the credit risk did not increase significantly since initial recognition. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the lifetime ECL.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments. Trade-date accounting is used when purchasing or selling of these financial assets and the company classifies financial assets into the following categories:

1) Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

Interest income from investments in debt instruments is recorded under non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized in profit or loss and it is recorded in non-operating income and expenses.

3) Impairment of financial assets

A financial assets is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably. An impairment test ought to be performed on each reporting date.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor (such as delay in payment of interest or principal or default on payments), restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual loss are likely to be greater or lesser than those suggested by historical trends.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was loss recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in operating expenses, and impairment losses and recoveries of other financial assets are recognized and included in other gains and losses under non-operating income and expenses.

4) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income or expenses.

3) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(h) Investment in subsidiaries

When preparing the parent company only financial statements, the investments in subsidiaries are recognized by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over its subsidiaries are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

	December 31, 2018	December 31, 2017
Buildings	8~60 years	2~60 years
Machinery equipment	2~8 years	2~10 years
Other equipment	2~20 years	2~20 years
Leasehold equipment	5~30 years	15~30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Leases－Lessee

Leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Impairment－non-derivative financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, except if the accrued interest on a short-term provision isn't material.

The Company's provision for sales returns and discounts is recognized at the time of sale and estimated on the basis of previous experience and relevant factors, which are recorded under provisions. However, the adoption of IFRS 15 commencing January 1, 2018, requires the abovementioned provision to be recognized as refund liabilities under other current liabilities.

(m) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below:

1) Sale of goods

The Company is mainly engaged in the manufacture and sale of electronic printed circuit boards and electronic materials. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

The Company's estimated future sales returns and discounts for various goods are generally made and adjusted based on historical trend and other known factors that would significantly affect the sales returns and discounts.

A reduction of revenue and refund liabilities (recorded under other current liabilities) are only recognized to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) Revenue (applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); The Company recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax loses, unused tax credits, and deductible temporary differences can be utilized.

(p) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have a dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following Board of Directors, the effect of dilution from these potential shares is taken into consideration.

(q) Segment information

The Company has disclosed segment information in the consolidated financial statements, and hence does not disclose such information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Subsequent measurements of inventories

As inventories are stated at the lower of cost or net realizable value, the Company assesses the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The subsequent measurements of inventories are mainly determined based on the current market price. Therefore, there may be significant changes in the net realizable value of inventories due to the rapid change of industrial environment.

(b) Refund liability for sales returns and discounts

The Company records a refund liability for its estimated future sales returns and discounts in the same period when related revenues are recorded. Refund liability for estimated sales returns and discounts is generally made and adjusted based on historical trend and other known factors that would significantly affect the sales returns and discounts. The adequacy of estimations is reviewed periodically. Any changes in these estimates might significantly affect the refund liability for sales returns and discounts.

(6) Description of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 3,589	1,706
Demand deposits	2,643,336	3,025,251
Time deposits	4,303	126,080
Checking deposits	1,000	312
Cash and cash equivalents per statements of cash flow	$ 2,652,228	3,153,349

Please refer to note 6(s) for the disclosure of the Company's interest rate risk and the sensitivity analysis related to financial assets and liabilities.

Please refer to note 6(d) for the disclosure of the Company's time deposits with a maturity of three months and above one year were recorded under other financial assets－current.

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(b) Financial assets measured at fair value through profit or loss

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Current:	
Beneficiary certification	$ 240,306

Please refer to note 6(u) for net gains or losses from financial assets measured at fair value through profit or loss. As of December 31, 2017, the Company's non-derivative financial assets were presented under available-for-sale financial assets-current and non-current, please refer to note 6(c).

As of December 31, 2018, the Company did not pledge its financial assets measured at fair value through profit or loss as collateral.

(c) Available-for-sale financial assets

	December 31, 2017
Current:	
Beneficiary certificates	$ 240,008
Non-current:	
OTC Stocks on domestic markets	12,641
Total	$ 252,649

(i) The five-year convertible bonds held by the Company, which were issued by Draco PCB Public Co., Ltd. (Draco), was listed on foreign markets. On July 2017, the Company converted its 2,667,944 units of the said convertible bonds into 47,761 thousand shares of common stocks and a cash proceed of THB3.33 per unit, totaling $7,963 thousand (THB8,884 thousand).

Please refer to note 6(u) for net gains or losses on disposal of investments and dividend income. Please refer to note 6(v) for unrealized gains and losses on valuation of available-for-sale investments.

The Company's exposure to credit, currency and interest rate risk and the sensitivity analysis on the financial instruments held by the Company are disclosed in note 6(v).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) Sensitivity analysis－market price risk

If the market price of the available-for-sale financial assets fluctuates (assuming that all other variables remain the same), the impact on other comprehensive income will be as follows:

	2017		
Fluctuation in market price at reporting date	**Other comprehensive income (after tax)**		**Net income**
Increase 1%	$	126	-
Decrease 1%	$	(126)	-

(iii) As of December 31, 2017, the Company did not pledge its available-for-sale financial assets as collateral.

(d) Other financial assets

		December 31, 2018	**December 31, 2017**
Current:			
Bank's time deposit	$	351,140	270,765
Non-current:			
Refundable deposits		8,165	4,963
Total	$	359,305	275,728

As of December 31, 2018 and 2017, the Company did not pledge its other financial assets as collateral.

(e) Notes receivable and accounts receivable (related parties included)

		December 31, 2018	**December 31, 2017**
Notes receivable	$	6,267	12,982
Accounts receivable		2,478,282	3,112,717
Accounts receivable－related parties		384,005	297,479
Less: loss allowance		89,221	80,611
	$	2,779,333	3,342,567

The Company applies the simplified approach of IFRS 9 to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for notes and accounts receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Based on historical default records, the Company did not have any credit losses stemming from transactions with its related parties nor did its related parties' credit quality deteriorate after the credit is granted. Therefore, the Company will not recognize the credit losses for its accounts receivable from its related parties, and the receivables will not be taken into account in the expected credit loss analysis.

The Company's analysis of the expected credit losses on its notes and accounts receivable as of December 31, 2018 was as follows:

	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 2,283,754	0.1103%	2,520
Past due 1~30 days	81,804	3.7578%	3,074
Past due 31~60 days	41,114	15.5130%	6,378
Past due 61~90 days	1,897	66.8951%	1,269
Past due 91~180 days	75,980	100%	75,980
	$ 2,484,549		89,221

As of December 31, 2017, the Company reserves its allowance for doubtful accounts on notes and accounts receivable based on the credit loss it already incurred. As of December 31, 2017, the aging analysis of the Company's notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 1~30 days	$ 25,370

The movement in the allowance for impairment with respect to notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	$ 80,611	80,611	-
Adjustment of initial application of IFRS 9	-		
Balance at January 1, 2018 per IFRS 9	80,611		
Impairment loss recognized	8,610	-	-
Balance at December 31, 2018 and 2017	$ 89,221	80,611	-

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

As of December 31, 2017, specific impairment loss recognized for individually significant receivables was calculated as the difference between their carrying amount and the present value of the estimated future cash flows from the delinquency discounted at the current market rate of return for a similar financial asset. The Company considered the credibility of clients on the reporting date when assessing the collectability of accounts receivable and notes receivable. Except for receivables for related parties, based on historical default records, accounts receivable and other receivables aging over 180 days may have difficulties in collection. The Company provided a 100% allowance for accounts receivable and other receivables which were past due over 180 days. For those accounts receivable and other receivables aging 1 to 180 days, the Company estimated the amounts that might not be collected by taking into consideration the default records and financial status analysis of the counterparties.

The Company had not provided the notes and accounts receivable as collateral or factored them for cash.

(f) Other receivables

	December 31, 2018	December 31, 2017
Other receivables	$ 44,213	43,002
Other receivables－related parties	25,963	10,014
Less: loss allowance	1,058	1,058
	$ 69,118	51,958

As of December 31, 2018 and 2017, the Company had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management’ s assessment. For other credit risk information, please refers to note 6(w).

(g) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 1,264,149	1,563,735
Work in progress	684,686	977,606
Raw materials	182,796	289,432
	$ 2,131,631	2,830,773

For the years ended December 31, 2018 and 2017, the Company recognized the amounts of $309,246 thousand and $412,674 thousand, respectively, as reductions of operating cost due to the disposal of scrap materials. For the years ended December 31, 2018 and 2017, the Company recognized the losses on inventory valuation of $73,945 thousand and $12,708 thousand, respectively, by writing down the value of their inventories to net realizable value.

On April 28, 2018, a fire occurred in some of the Company’ s Pingzhen plants, wherein the Company recognized an impairment loss of inventory of $379,105 thousand, which was recorded under other gains and losses. For related information, please refer to note 10.

As of December 31, 2018 and 2017, the Company did not pledge its inventories as collateral.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(h) Investments accounted for under the equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

		December 31, 2018	December 31, 2017
Subsidiaries	$	8,405,586	8,499,318

(i) Subsidiaries

Please refer to the consolidated financial statements of 2018.

ii) Collateral

As of December 31, 2018 and 2017, the Company did not pledge any collateral on investments accounted for under the equity method.

(i) Changes in percentage of ownership interest in subsidiaries－acquisitions of subsidiary

In June 2017, the Company acquired the interests of 9,327 thousand shares in Draco and from its non-related parties, spending $41,712 thousand, and increasing its ownership from 95.53% to 99.30%. For the year ended December 31, 2017, the Company recognized the amount of $6,015 thousand as a reduction of its retained earnings.

The changes in the subsidiary's equity attributed to the Company were as follows:

		December 31, 2017
Carrying amount of non-controlling interest on acquisition	$	35,697
Consideration paid to non-controlling interests		(41,712)
Differences between consideration and carrying amounts of subsidiaries acquired	$	(6,015)

The Company held 2,667,944 bonds issued by Draco and converted them into 47,761 thousand common shares (THB5.4 per share) in July 2017. In August 2017, Draco increased its capital by issuing 123,579 thousand shares, raising $547,562 thousand (approximately THB 600,595 thousand). The Company contributed $547,520 thousand (THB600,595 thousand) in Draco’ s equity offering.

For the year ended December 31, 2017, the Company recognized a reduction of $1,079 thousand in retained earnings, resulting from its transaction.

For the year ended December 31, 2018, the Company did not acquire the interests of Draco's shares.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(j) Property, plant and equipment

The cost, depreciation and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress	Total
Cost:							
Balance at January 1, 2018	$ 718,069	2,008,285	6,825,684	1,574,053	15,280	331	11,141,702
Additions	-	11,740	122,217	37,581	1,844	-	173,382
Disposals	-	-	(124,376)	(4,657)	-	-	(129,033)
Reclassification	-	-	78,256	5,329	-	(331)	83,254
Balance at December 31, 2018	$ 718,069	2,020,025	6,901,781	1,612,306	17,124	-	11,269,305
Balance at January 1, 2017	$ 718,069	1,985,200	6,799,333	1,520,564	15,280	2,385	11,040,831
Additions	-	12,605	128,658	47,142	-	331	188,736
Disposals	-	-	(139,952)	(2,780)	-	-	(142,732)
Reclassification	-	10,480	37,645	9,127	-	(2,385)	54,867
Balance at December 31, 2017	$ 718,069	2,008,285	6,825,684	1,574,053	15,280	331	11,141,702
Accumulated depreciation and impairment loss:							
Balance at January 1, 2018	$ -	576,650	4,864,483	966,384	3,564	-	6,411,081
Depreciation	-	31,606	373,676	126,725	647	-	532,654
Impairment loss	-	213,190	209,308	20,736	-	-	443,234
Disposals	-	-	(111,065)	(4,107)	-	-	(115,172)
Balance at December 31, 2018	$ -	821,446	5,336,402	1,109,738	4,211	-	7,271,797
Balance at January 1, 2017	$ -	537,575	4,581,679	834,741	2,952	-	5,956,947
Depreciation	-	39,075	420,213	134,102	612	-	594,002
Disposals	-	-	(137,409)	(2,459)	-	-	(139,868)
Balance at December 31, 2017	$ -	576,650	4,864,483	966,384	3,564	-	6,411,081
Carrying amount:							
Balance at December 31, 2018	$ 718,069	1,198,579	1,565,379	502,568	12,913	-	3,997,508
Balance at December 31, 2017	$ 718,069	1,431,635	1,961,201	607,669	11,716	331	4,730,621
Balance at January 1, 2017	$ 718,069	1,447,625	2,217,654	685,823	12,328	2,385	5,083,884

(i) Loss and gain on disposal

For the years ended December 31, 2018 and 2017, the Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(v).

(ii) Impairment less

	2018	2017
Beginning balance	$ -	-
Impairment loss recognized during the year	443,234	-
Ending balance	$ 443,234	-

On April 28, 2018, a fire occurred in some of the Company's Pingzhen plants, wherein The Company recognized an impairment loss of property, plant and equipment of $443,234 thousand, which was recorded under other gains and losses. For related information, please refer to note 10.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iii) Collateral

As of December 31, 2018 and 2017, the Company did not pledge its property, plant and equipment as collateral.

(k) Short-term loans

(i) The details, terms and clauses of the Company's short-term loans were as follows:

	December 31, 2018			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	USD	1.93~3.03	2019	$ 922,020
Unsecured loans	EUR	0.54	2019	105,493
Total				$ 1,027,513

	December 31, 2017			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	USD	1.20~2.29	2018	$ 1,574,365
Unsecured loans	EUR	0.44~0.62	2018	106,589
Total				$ 1,680,954

As of December 31, 2018 and 2017, the unused credit facilities of the Company's short-term loans amounted to $2,411,386 thousand and $1,662,897 thousand, respectively.

Please refer to note 6(w) for related information of risk exposure to interest risk, currency risk and liquidity risk.

(ii) Collateral of loans

As of December 31, 2018 and 2017, the Company did not pledge its assets as collateral of short-term loans.

(l) Provisions

	Allowance for sales returns and discounts
Balance at January 1, 2017	$ 445,061
Provisions made during the year	67,539
Provisions reversed during the year	(14,834)
Balance at December 31, 2017	$ 497,766

The provision of customer returns and discounts was based on historical experience, management's judgments and other known factors estimated product returns and discounts may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Since the Company adopted IFRS 15 commencing January 1, 2018, the abovementioned sales returns and discounts were recognized as refund liabilities under other current liabilities. Please refer to note 6(r).

(m) Operating leases

Non-cancellable rental payables of operating leases for the Company were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 46,872	28,191
Between one and five years	97,130	50,460
Over five years	-	492
	$ 144,002	79,143

The Company leases factory facilities and parking space under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2018 and 2017, lease costs and expenses were $52,130 thousand and $46,784 thousand, respectively.

(n) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 388,781	447,621
Fair value of plan assets	(454,088)	(455,629)
Net defined benefit asset	$ (65,307)	(8,008)

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and Chunghwa Post Co., Ltd. that provides pensions for employees and managers upon retirement. The plans (covered by the Labor Standard) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company's Bank of Taiwan and Chunghwa Post Co., Ltd labor pension reserve account balance amounted to $404,542 thousand and $49,546 thousand, respectively, as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Company's defined benefit obligations for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 447,621	467,563
Current service costs and interest	10,454	10,825
Remeasurements of the net defined benefit liability (asset)		
－Actuarial gains and losses arising from changes in financial assumptions	5,024	(13,398)
Past service cost and settlement gains	(40,401)	-
Benefits paid	(33,917)	(17,369)
Defined benefit obligation at December 31	**$ 388,781**	**447,621**

3) Movements in fair value of plan assets

The movements in the fair value of the Company's plan assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 455,629	451,491
Remeasurements of the net defined benefit liability (asset)		
－The return on plan assets (excluding amounts included in the interest during this period)	7,133	6,622
－Actuarial gains and losses arising from changes in financial assumptions	9,925	(2,088)
Contributions made	15,318	16,973
Benefits paid	(33,917)	(17,369)
Fair value of plan assets at December 31	**$ 454,088**	**455,629**

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The Company's expenses recognized on profit or loss for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current service costs	$	3,545	4,043
Net interest on the defined benefit liability (asset)		(224)	160
Past service cost and settlement gains		(40,401)	-
	$	(37,080)	4,203

		2018	2017
Operating costs	$	2,110	3,281
Selling expenses		264	209
Administration expenses		807	609
Research and development expenses		140	104
	$	3,321	4,203

Due to a number of employees agreeing to a curtailment for the year ended December 31, 2018, the Company has reduced the defined benefit retirement obligations of $40,401 thousand and recognized the reduction in benefits which was recorded a reduction of operating cost.

5) Remeasurement of the net defined benefit liability and asset recognized in other comprehensive income

The Company's remeasurements of the net defined benefit liability and asset recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Cumulative amount at January 1	$	11,613	22,923
Recognized during the period		(4,901)	(11,310)
Cumulative amount at December 31	$	6,712	11,613

6) Actuarial assumptions

The Company's assumptions used on calculating the present value of the defined benefit obligation at reporting date were as follows:

	2018.12.31	2017.12.31
Discount rate	1.000%~1.375%	1.000%~1.625%
Future salary increases rate	1.000%	1.000%

The expected contribution to be made by the Company to the defined benefit plans for the next annual reporting period is $13,591 thousand.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The weighted average duration of the defined benefit obligation of employee and manager is 19.24 years and 8.43 years, respectively.

7) Sensitivity analysis for actuarial assumption

As of December 31, 2018 and 2017, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	The impact of defined benefit obligation	
	Increase	**Decrease**
At December 31, 2018		
Discount rate (changes 0.25%)	$ (13,679)	14,319
Future salary increase rate (changes 0.25%)	14,140	(13,577)
At December 31, 2017		
Discount rate (changes 0.25%)	(16,469)	17,262
Future salary increase rate (changes 0.25%)	17,096	(16,393)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability (asset) is the same.

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

The Company contributes an amount equal to 6% of the employee's monthly. The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's pension costs under the defined contribution method were $96,134 thousand and $118,144 thousand for the years ended December 31, 2018 and 2017, respectively.

(iii) Short-term employee benefit

	December 31, 2018	December 31, 2017
Annual leave benefit (recorded under other payables)	$ 36,168	49,742

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(o) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the Company's corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018.

(i) Income tax expense

The amounts of the Company's income tax for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current tax expense (benefit)			
Current period	$	111,388	574,561
10% surtax on unappropriated retained earnings		33,634	93,731
Adjustment for prior periods		(147,185)	4,234
		(2,163)	672,526
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(116,832)	(139,134)
Adjustment for prior deferred tax		143,988	-
Adjustment in tax rate		69,508	-
Income tax expenses from continuing operations	$	94,501	533,392

The amounts of the Company's income tax expense recognized under other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Items that may not be reclassified into profit and loss:			
Remeasurements of defined benefit asset	$	(980)	(1,923)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Reconciliations of the Company's income tax expense (benefit) and income before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Income before tax	$ 257,812	2,034,196
Income tax using the Company's domestic tax rate	$ 51,562	345,813
Dividend income	152	129
Adjustment in tax rate	69,508	-
Under-estimate (over-estimate) of prior years' income tax	(3,197)	4,234
Tax-exempt income	-	(3,571)
Gain on valuation of financial assets at fair value through profit or loss	(884)	-
Loss (gain) from investment using equity method	(181,508)	122,405
10% surtax on unappropriated retained earnings	33,634	93,731
Adjustments according to tax law	117,818	(29,349)
Others	7,416	-
Total	$ 94,501	533,392

(ii) Deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory devaluation loss	Loss allowance (allowance for bad debts and sales discounts)	Refund liabilities (provisions)	Unrealized exchange loss	Total
Balance at January 1, 2018	$ -	5,971	19,546	84,620	4,106	114,243
Recognized in profit or loss	-	10,609	1,331	13,129	(2,762)	22,307
Balance at December 31, 2018	$ -	16,580	20,877	97,749	1,344	136,550
Balance at January 1, 2017	$ 2,732	5,443	19,230	75,661	7,706	110,772
Recognized in profit or loss	(2,170)	528	316	8,959	(3,600)	4,033
Recognized in other comprehensive income	(1,923)	-	-	-	-	(1,923)
Balance at December 31, 2017	$ (1,361)	5,971	19,546	84,620	4,106	112,882

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Deferred tax liabilities:

		Gain from investment using equity method	Defined benefit plans	Others	Total
Balance at January 1, 2018	$	506,667	1,361	92	508,120
Recognized in profit or loss		107,857	10,720	394	118,971
Recognized in other comprehensive income		-	980	-	980
Balance at December 31, 2018	**$**	**614,524**	**13,061**	**486**	**628,071**
Balance at January 1, 2017	$	641,476	-	384	641,860
Recognized in profit or loss		(134,809)	-	(292)	(135,101)
Balance at December 31, 2017	**$**	**506,667**	**-**	**92**	**506,759**

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2015.

(p) Share capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the total value of authorized nominal ordinary shares amounted to $4,500,000 thousand, with par value of $10 per share, of which 397,495 thousand shares of common stocks were outstanding. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

		December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$	630,382	630,382
Conversion of convertible bonds ordinary shares		937,936	937,936
	$	**1,568,318**	**1,568,318**

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iii) Retained earnings

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special earnings reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. The remainder, if necessary, is subject to special reserve. The distribution of remainder earning should be amounts directors' and supervisors' remuneration, employee bonuses and stockholders' dividends and bonuses in the percentage amounts of 0.5% to 5%, 2% to 10% and 20% to 80%. After the distribution, the remainder is unappropriated earnings.

According to the Company's Articles of Incorporation, the Company's dividend policy will consider its operating environment, steady profitability, sufficiency of its cash for future expansion, financial plan and the balance of dividends. The Board of Directors then proposes the appropriations and presents this proposal for approval at the shareholders' meeting. The Company stipulated a dividend policy that at least 20% of income after tax may be distributed as cash dividends, and if the Company has sufficient cash acquired from the outer, the ratio of distribution as cash dividends will be 50%. The actual appropriations are based on profit and the requirement of cash which are adjusted and approved by the stockholders' meeting.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The appropriations of 2017 and 2016 earnings have been approved by the Company's shareholders in its meetings held on June 29, 2018, and June 22, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash	$ 2.25	894,365	3.20	1,271,985

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign	Available-for-sale financial assets	Total
Balance at January 1, 2018	$ (147,251)	17,847	(129,404)
Effects of retrospective application	-	(17,847)	(17,847)
Balance at January 1, 2018 after adjustments	(147,251)	-	(147,251)
Foreign exchange differences arising from foreign operation	5,071	-	5,071
Balance at December 31, 2018	$ (142,180)	-	(142,180)
Balance at January 1, 2017	$ 37,522	34,846	72,368
Foreign exchange differences arising from foreign operation	(184,773)	-	(184,773)
Unrealized gains (losses) from available-for-sale financial assets	-	20,340	20,340
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(21,008)	(21,008)
Unrealized gains (losses) on available-for-sale financial assets, subsidiaries account for using equity method	-	(16,331)	(16,331)
Balance at December 31, 2017	$ (147,251)	17,847	(129,404)

(q) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2018 and 2017 were as follows:

(i) Basic EPS

	2018	2017
Net income attributable to common shareholders of the Company	$ 163,311	1,500,804
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Basic EPS (New Taiwan dollars)	$ 0.41	3.78

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) Diluted EPS

	2018	2017
Net income attributable to common shareholders of the Company	$ 163,311	1,500,804
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Influence of potentially dilutive shares－		
Remuneration to employees (thousand shares)	471	1,835
Weighted-average number of shares outstanding－diluted (thousand shares)	397,966	399,330
Diluted EPS (New Taiwan dollars)	$ 0.41	3.76

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

The Company is engaged in one industry which manufactures and sells printed circuit boards. The disaggregation of revenue by primary geographical markets for the year ended December 31, 2018 was as follows:

	2018
United states	$ 3,168,277
Germany	2,200,371
China	2,100,978
Hungary	1,091,663
Taiwan	594,572
Others	6,270,059
	$ 15,425,920

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

(ii) Contract balance

	December 31, 2018	January 1, 2018
Notes receivable	$ 6,267	12,982
Accounts receivable	2,478,282	3,112,717
Accounts receivable－related parties	384,005	297,479
Less: loss allowance	89,221	79,917
Total	$ 2,779,333	3,343,261

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iii) Refund liabilities (recorded under other current liabilities)

	December 31, 2018
Sales return and discount	$ 488,744

The refund liabilities are expected payment to customers contingent on sales returns and discounts in the future. The amount recognized for refund liabilities is based on historical experience and other known factors and is treated as reduction of operating revenue when products are sold.

(s) Revenue

The details of the Company's revenue for the year ended December 31, 2017 were as follows:

	2017
Sale of goods	$ 18,670,826
Income of processing	17,385
	18,688,211
Less: sales return and discount	(224,482)
	$ 18,463,729

(t) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, the Company should contribute no less than 2%~10% of profit as employee remuneration and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2018 and 2017, the Company accrued and estimated the remuneration to employee amounting to $5,313 thousand and $71,807 thousand, respectively, and directors amounting to $2,680 thousand and $11,340 thousand, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating costs or expenses during 2018 and 2017. The related information can be accessed from Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2018 and 2017.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(u) Non-operating income and expenses

(i) Other income

The details of the Company's other income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest income	$ 36,822	38,123
Rental income	840	794
Dividend income	759	759
Gains on writ-off from accrued expense	4,975	-
Other income－other		
Compensation income	57,053	97,530
Others	170,509	154,094
Subtotal other income－other	227,562	251,624
Total Other income	$ 270,958	291,300

(ii) Other gains and losses

The details of the Company's other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Loss on disposal of property, plant and equipment	$ (2,445)	(966)
Gain on disposal of investments	-	21,008
Net on foreign exchange gain (loss)	53,581	(193,567)
Gains on financial assets measured at fair value through profit and loss	4,418	-
Miscellaneous disbursements	(461,452)	(4,476)
Other gains and losses	(480,020)	-
Net other gains and losses	$ (885,918)	(178,001)

(iii) Finance costs

The details of the Company's finance costs for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest expense	$ 32,533	22,369

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(v) Reclassification of components of other comprehensive income

The details of the Company's reclassification of components of other comprehensive income were as follows:

	2018	2017
Available-for-sale financial assets		
Net change in fair value for current year	$ -	20,340
Net change in fair value reclassified to profit or loss	-	(21,008)
Net changes in fair value recognized in other comprehensive income	**$ -**	**(668)**

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The book value of financial assets and contract assets represents the maximum risk exposure. The maximum credit risk exposure amounts were $5,859,984 thousand and $6,823,602 thousand as at December 31, 2018 and 2017, respectively.

2) Concentration of credit risk

In 2018 and 2017, the Company's counterparties of accounts receivable transaction mainly locate in China, Germany, and the United States. As of December 31, 2018 and 2017, the balance of accounts receivable from those region accounted for 55% and 51%, respectively, of the total balance.

3) Credit risk of receivables and other financial assets at amortized cost

For the information of credit risk exposure for notes and accounts receivable, please refer to note 6(e).

Other financial assets measured at amortized cost include other receivables, refundable deposits and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 moths expected losses. Regarding how the financial instruments are considered to have low credit risk by the Company, please refer to note 6(f).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Unsecured loans	$ 1,027,513	1,038,827	1,038,827	-	-	-
Notes payable	840,259	840,259	840,259	-	-	-
Accounts payable (related parties included)	1,901,454	1,947,645	1,947,645	-	-	-
Other payables	517,533	517,533	517,533	-	-	-
	$ 4,286,759	4,344,264	4,344,264	-	-	-
December 31, 2017						
Non-derivative financial liabilities						
Unsecured loans	$ 1,680,954	1,703,899	1,703,899	-	-	-
Notes payable	965,686	965,686	965,686	-	-	-
Accounts payable (related parties included)	1,947,645	1,947,645	1,947,645	-	-	-
Other payables	489,665	489,665	489,665	-	-	-
	$ 5,083,950	5,106,895	5,106,895	-	-	-

The Company does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Currency risk exposure

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets:						
Monetary items:						
USD	$ 108,082	30.7340	3,321,791	158,339	29.7050	4,703,468
JPY	593,270	0.2772	164,455	1,000,104	0.2637	263,728
EUR	5,920	35.1644	208,170	7,949	35.5296	282,432
THB	3,635	0.9481	3,446	3,633	0.9102	3,307
CNY	87,644	4.4770	392,382	113,390	4.5588	516,922
Financial liabilities:						
Monetary items:						
USD	66,412	30.7340	2,041,099	85,665	29.7050	2,544,670
JPY	9,195	0.2772	2,549	17,435	0.2637	4,664
EUR	5,659	35.1644	199,009	5,339	35.5296	189,670
CNY	1,569	4.4770	7,023	974	4.5588	4,439

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, other financial assets, loans, and accounts and other payables that were denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the TWD against the USD, JPY, EUR, THB and CNY as of December 31, 2018 and 2017, would have increased or decreased the net profit after tax by $14,725 thousand and $25,119 thousand, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Due to the numerous type of functional currency of the Company, the Company disclose its exchange gains and losses of monetary items aggregately. The Company's exchange gain (loss), including realized and unrealized, were $53,581 thousand and $(193,567) thousand for the years ended December 31, 2018 and 2017, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Company's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate had increased or decreased by 1%, the Company's net income before tax will have increased or decreased by $5,377 thousand and $10,658 thousand, for the years ended December 31, 2018 and 2017, respectively. This was mainly due from the Company's loans and time deposits on floating rates.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(v) Fair value information

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 240,306	240,306	-	-	240,306
Financial assets measured at amortized cost					
Cash and cash equivalents	2,652,228	-	-	-	-
Accounts and notes receivable	2,779,333	-	-	-	-
Other receivables	69,118	-	-	-	-
Other financial assets －current and non-current	359,305	-	-	-	-
Subtotal	5,859,984	-	-	-	-
Total	$ 6,100,290	240,306	-	-	240,306
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,027,513	-	-	-	-
Notes and accounts payable (related parties included)	2,741,713	-	-	-	-
Other payables	517,533	-	-	-	-
Total	$ 4,286,759	-	-	-	-

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic beneficiary certification－open ended fund	$ 240,008	240,008	-	-	240,008
Domestic OTC stocks	12,641	12,641	-	-	12,641
Subtotal	252,649	252,649	-	-	252,649
Loans and receivables					
Cash and cash equivalents	3,153,349	-	-	-	-
Notes and accounts receivable (related parties included)	3,342,567	-	-	-	-
Other receivables (related parties included)	51,958	-	-	-	-
Other financial assets －current and non-current	275,728	-	-	-	-
Subtotal	6,823,602	-	-	-	-
Total	$ 7,076,251	252,649	-	-	252,649
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,680,954	-	-	-	-
Notes and accounts payable (related parties included)	2,913,331	-	-	-	-
Other payables (related parties included)	489,665	-	-	-	-
Total	$ 5,083,950	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

If financial instrument have quoted price in an active market, use the quoted price as fair value.

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (included OTC stocks and open-ended funds).

(Continued)

b) Derivative financial instrument

The forward exchange contract is usually priced by the forward exchange rate from financial institutions.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4) Transfers from Level 1 financial instrument to Level 2 financial instrument

There was no significant transfer from level 2 financial instrument to level 1 financial instrument for the years ended December 31, 2018 and 2017.

(x) Financial risk management

(i) Overview

The Company has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors of the Company is full responsible for the establishment and management of the Company's risk management framework and policies. It is developed and managed by the committee which is authorized by the Board of Directors and the committee reports to the Board of Directors regarding the frameworks operations regularly.

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions andthe Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits, fix income investment and other financial instruments are measured and monitored by the Company's finance department and reported to the management by authority. Since those who transact with the Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. Hence, there is no significant credit risk.

3) Guarantees

The Company's policy allows it to provide financial guarantees to directly and indirectly more them 50% owned subsidiaries. Financial guarantees provided by the Company as of December 31, 2018 and 2017, are disclosed in note 7 "related-party transactions".

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities of $2,411,386 thousand and $1,662,897 thousand, respectively, as of December 31, 2018 and 2017.

(v) Market risk

Market risk represents the potential loss arising from the decrease in the value of a financial instrument caused primarily by changes in interest rates, foreign exchange rates, or the price of financial produces. The Company maintains its foreign currency positions within prescribed limits and signs the forward exchange contracts in order to manage market risk from changes in foreign exchange rates.

Financial assets measured at fair value through profit or loss (available-for-sale financial assets) are OTC stocks, open-end mutual funds and convertible bonds listed on foreign markets, which may fluctuate with changes in equity price. In order to manage market risk, the Company carefully selects trust companies with good reputations to engage in financial instrument transactions.

The Company' bank balances, time deposit, and financial liability－short-term loans are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(y) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company's debt-to-capital ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 5,936,250	7,291,203
Less: cash and cash equivalents	2,652,228	3,153,349
Net debt	$ 3,284,022	4,137,854
Total equity	$ 15,448,041	16,171,605
Debt-to-capital ratio	21%	26%

As of December 31, 2018, there was no changes in the Company's approach of capital management.

(z) Investing and financing activities not affecting current cash flow

The Company did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2018 was as follows:

		Cash flows		Non-cash changes		
	January 1, 2018	Increase in short-term loans	Decrease in short-term loans	Foreign exchange movement	Amortization of commercial paper discount	December 31, 2018
Short-term borrowings	$ 1,680,954	3,377,278	(4,027,446)	(3,273)	-	1,027,513
Total liabilities from financing activities	$ 1,680,954	3,377,278	(4,027,446)	(3,273)	-	1,027,513

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

(b) Name and relationship with related parties

The followings are entities that have had transactions with related parties during the periods covered in the parent company only financial statements:

Name of related party	Relationship with the Company
VEGA International Enterprise Co., Ltd.	Subsidiary
Chin Poon Japan Co., Ltd.	Subsidiary
Draco PCB Public Co., Ltd.	Subsidiary
Chin-Poon Holdings Cayman Limited	Subsidiary of VEGA International Enterprise Co., Ltd.
Chin-Poon (Changshu) Electronic Co., Ltd.	Subsidiary of Chin-Poon Holdings Cayman Limited

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions between the Company and its related parties were as follows:

		2018	2017
Subsidiaries:			
Chin-Poon Holdings Cayman Limited	$	192,021	428,066
Chin Poon Japan Co., Ltd.		170,118	247,951
Chin-Poon (Changshu) Electronic Co., Ltd.		307,308	13,961
Other subsidiaries		22,673	48,059
	$	692,120	738,037

There were no significant differences in selling price and collection terms between sales to its related parties and to other customers. Amounts receivable from related parties were uncollateralized, no provisions for doubtful debt were required after the assessment by the management.

(ii) Purchases

The amounts of purchase transactions between the Company and its related parties were as follows:

		2018	2017
Subsidiaries			
Chin-Poon (Changshu) Electronic Co., Ltd.	$	3,373,025	2,506,253
Draco PCB Public Co., Ltd.		256,789	288,312
	$	3,629,814	2,794,565

There were no significant differences in purchasing price and payment terms between purchase from its related parties and from other vendors.

(iii) Purchase of supplies on behalf of others

The details of the Company's purchase of supplies on the behalf of its related parties were as follows:

		2018	2017
Subsidiaries	$	20,814	13,611

(iv) Lending to related parties

For the year ended December 31, 2017, the interest income received by the Company from its related parties amounted to $13 thousand. The interest receivables resulting from the aforementioned transactions were fully collected as of December 31, 2017.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(v) Receivable from related parties

As the result of the aforementioned transactions, the details of the Company's receivable from its related parties were as follows:

Account	Type of related parties	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries:		
	Chin-Poon Holdings Cayman Limited	$ 43,997	128,680
	Draco PCB Public Co., Ltd.	15,823	143,616
	Chin-Poon (Changshu) Electronic Co., Ltd.	268,565	7,709
	Chin Poon Japan Co., Ltd.	55,620	17,474
Other receivables	Subsidiaries	25,963	10,014
		$ 409,968	307,493

(vi) Payable to related parties

As the result of the aforementioned transactions, the details of the Company's payable to its related parties were as follows:

Account	Type of related parties	December 31, 2018	December 31, 2017
Accounts payable	Subsidiaries:		
	Chin-Poon (Changshu) Electronic Co., Ltd.	$ 912,001	635,164
	Other subsidiaries	38,689	44,684
Other payables	Subsidiaries	4,417	8,607
		$ 955,107	688,455

(vii) Guarantees

	December 31, 2018	December 31, 2017
Subsidiaries		
Chin-Poon Holdings Cayman Limited	$ -	237,640
Draco PCB Public Co., Ltd.	307,340	297,050
	$ 307,340	534,690

For the years ended December 31, 2018 and 2017, the Company received the commission income of $730 thousand and $0 thousand, respectively from the aforementioned transaction. The commission income was recorded under non-operating income and expenses－other income.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(d) Management personnel compensation

Key management personnel compensation comprised:

		2018	2017
Short-term employee benefits	$	33,374	52,106
Post-employment benefits		916	916
	$	34,290	53,022

In both 2018 and 2017, the Company provided six vehicles at cost of $3,778 thousand for key management personnel.

(8) Pledged Assets: None.

(9) Significant commitments and contingencies

(a) As of December 31, 2018 and 2017, the Company had outstanding letters of credit for purchase of material and equipment amounting approximately to $2,183 thousand and $553 thousand, respectively, on which the Company paid no deposits.

(b) As of December 31, 2018 and 2017, the Company provided guarantee notes amounting to $1,376,400 thousand and $696,400 thousand, respectively, for usance letters of credits, domestic letters of credit and guarantees for the Company's hiring of foreign labors. The customs duty guaranteed by the Company for importing raw materials were $15,000 thousand and $31,260 thousand as of December 31, 2018 and 2017.

(c) For expanding the factory, the Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was $580,272 thousand and $158,868 thousand as of December 31, 2018 and 2017, respectively, of which the Company had paid $310,940 thousand and $78,231 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.

(10) Significant losses from calamity

A fire occurred in some of the Company's plants on April 28, 2018, destroying parts of the building, equipment and inventory, which resulted in recovery and indemnity expenses. The estimated loss from the incident amounted to $902,744 thousand and the insurance claim received was $350,000 thousand. The aforementioned amounts were recognized under other gains and losses for the fiscal year ended December 31, 2018.Though the related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of the reporting date, the insurance compensation has not been determined for the reason that the amount is highly subject to investigation. The Company will recognize the insurance income in the subsequent periods when the amount can be reasonably estimated.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(11) Significant subsequent events

On February 25, 2019, the Company received an indictment,with case number 108-Zhen-829 and 108-Zhen-2491, from the Taoyuan district prosecutor's office. The chairman of the Company’ s board of directors and 6 former and current employees of the Pingzhen third plant were accused of causing fire disaster, which led to an offense of negligent manslaughter resulting from the fire incident that occurred on April 28, 2018. The chairman and the said employees will fully cooperate with the Court in its investigation on this matter. So far, the incident did not have any significant impact on the Company’ s operating and financial activities.

(12) Other

A summary of employee benefit expenses, depreciation, depletion and amortization by function, were as follows:

By function	Year ended December 31 2018			Year ended December 31 2017		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	2,273,574	187,154	2,460,728	3,056,645	244,414	3,301,059
Labor and health insurance	222,328	16,130	238,458	269,321	15,422	284,743
Pension	88,264	11,191	99,455	111,662	10,685	122,347
Directors' remuneration	-	5,320	5,320	-	13,980	13,980
Others	83,714	8,870	92,584	111,993	10,696	122,689
Depreciation	525,470	7,184	532,654	586,506	7,496	594,002
Amortization	-	-	-	-	-	-

The number of the Company's employees were 3,736 and 5,273 for the years ended December 31, 2018 and 2017, respectively. There were 8 non-employee directors for both years.

A fire occurred in some of the Company's plants on April 28, 2018, destroying parts of the building, equipment and inventory, leaving the production lines of the plant to cease their operation. The Company, therefore, recorded the related employee benefit expenses, including salary, pension, labor and health insurance, and severance payment amounting to $298,280 thousand, under other gains and losses.

For the year ended December 31, 2018, the Company's pension costs excluded the curtailment gains of $40,401 thousand. Please refer to note 6(n).

(Continued)

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company in 2018:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates (%)	Purposes of fund financing for the borrowers (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables from related parties	Yes	933,030	922,020	922,020	2.94428~ 3.64838	2	-	Operating capital	-		-	3,572,428 (Note 1)	3,572,428 (Note 1)

Note 1: The total amount lending to the subsidiaries and each borrowing company shall not be over 50% of the net worth of Chin Poon Holdings Cayman Limited.

Note 2: Nature of financing activities as follows:

(1) if there are transactions between these two parties, the number is "1".

(2) if it is necessary to loan to other parities, the number is "2".

(ii) Guarantees and endorsements for other parties:

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party (Note 2)	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements (Note 2)	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements (Note 2)	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the company (Note 1)										
0	CHIN-POON INDUSTRIAL CO., LTD.	Draco PCB Public Co., Ltd.	2	3,089,608	311,010	307,340	184,404	-	1.99%	3,862,010	Y	N	N

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The total amount of guarantee shall not exceed 25% of the Company's net worth. The total amount of guarantee provided by the Company to any individual entity shall not exceed 20% of the Company's net worth.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares/units	Book value	Holding percentage	Market value	
The Company	Beneficiary Certificate: Jih Sun Money Market	-	Financial assets at fair value through profit or loss－current	7,549,184	111,679	- %	111,679	
The Company	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss－current	9,549,204	98,556	- %	98,556	
The Company	Allianz Glbl Inv Global Bd A	-	Financial assets at fair value through profit or loss－current	2,516,420	30,071	- %	30,071	
Chin-Poon (Changshu) Electronic Co., Ltd	CR Yuanta Cash Earnings	-	Financial assets at fair value through profit or loss－current	180,000,000	806,032	- %	806,032	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares/units	Amount	Shares/units	Amount	Shares/units	Price	Cost	Disposal gain	Shares/units	Amount
Chin-Poon (Changshu) Electronic Co., Ltd	Beneficiary Certificate: CR Yuanta Cash Earning	Financial assets at fair value through profit or loss－current	CR Yuanta Fund	-	280,000,000	1,276,634	302,000,000	1,352,047	402,000,000	1,845,041	1,799,745	(22,905)	18,000,000	806,031

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount (Note 2)	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance (Note 2)	Percentage of total accounts / notes receivable (payable)	
Chin Poon Holdings Cayman Limited	The Company	Parent company	Purchase	192,021	17.10 %	Note 1	Note 1	Note 1	(43,997)	(14.86)%	
The Company	Chin Poon Holdings Cayman Limited	Subsidiaries	(Sale)	(192,021)	(1.24) %	Note 1	Note 1	Note 1	43,997	1.58%	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	3,373,025	36.77 %	Note 1	Note 1	Note 1	(912,001)	(33.26)%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	(Sale)	(3,373,025)	(49.74) %	Note 1	Note 1	Note 1	912,001	47.44%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	Purchase	307,308	7.43 %	Note 1	Note 1	Note 1	(268,565)	(0.02)%	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	(Sale)	(307,308)	(1.98) %	Note 1	Note 1	Note 1	268,565	9.66%	
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	887,244	79.00 %	Note 1	Note 1	Note 1	(243,849)	(82.35)%	
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent-company	(Sale)	(887,244)	(13.08) %	Note 1	Note 1	Note 1	243,849	12.69%	
Chin Poon Japan Co., Ltd.	The Company	Parent-company	Purchase	170,118	99.70 %	Note 1	Note 1	Note 1	(55,620)	(99.86)%	
The Company	Chin Poon Japan Co., Ltd.	Subsidiaries	(Sale)	(170,118)	(1.09) %	Note 1	Note 1	Note 1	55,620	2.00%	
The Company	Draco PCB Public Co., Ltd.	Subsidiaries	Purchase	256,789	2.80 %	Note 1	Note 1	Note 1	(38,868)	(1.42)%	
Draco PCB Public Co., Ltd.	The Company	Parent-company	(Sale)	(256,789)	(13.00) %	Note 1	Note 1	Note 1	38,868	10.64%	

Note 1: The sales and purchase prices are based on the market prices. The terms of collection and payment are not significantly different from those to third parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	912,001	4.36%	-		912,001 (As at March 15, 2019)	-
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent-company	243,849	3.74%	-		243,849 (As at March 15, 2019)	-
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	268,565	2.22%	-		163,620 (As at March 15, 2019)	-
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	930,199 (Note 1)	-%	-		- (As at March 15, 2019)	-

Note 1: Included principle $922,020 thousand and other receivables of interest $8,179 thousand.

(ix) Trading in derivative instruments: None.

(b) Information on investees

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income	Remarks
				December	December	Shares	Percentage of	Book value			

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

				31, 2018	31, 2017		ownership			(loss)	
The Company	VEGA International Enterprise Co., Ltd.	British Virgin Islands	Investment	4,244,069	3,917,196	131,242,925	100.00%	7,143,914	544,511	544,511	Subsidiary (Note 1)
The Company	Chin Poon Japan Co., Ltd.	Japan	Trading of printed circuit board	3,229	3,229	180	100.00%	6,526	(1,274)	(1,274)	Subsidiary (Note 1)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	1,762,846	1,762,846	416,761,385	99.58%	1,255,146	(258,700)	(257,613)	Subsidiary (Note 2)
VEGA International Enterprise Co., Ltd.	Chin-Poon Holdings Cayman Limited	Cayman Islands	Investment	2,756,306	2,756,306	92,354,035	100.00%	7,143,914	544,511	544,511	Subsidiary (Note 1)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Note 1: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 2: The financial statements was audited by on international accounting firm in cooperation with the R.O.C. accounting firm.

(c) Information on investment in mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2018	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2018	Net income of investee (Note 2)	Direct / indirect investment holding percentage	Investment income (loss) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Chin-Poon (Changshu) Electronic Co., Ltd	Production and trading of printed circuit board	3,688,080	(2)	2,612,390	-	-	2,612,390	480,569	100.00%	480,569	5,685,272	1,347,795

Note 1: The method of investment is divided into the following three categories:

(1) Invest directly in a company in Mainland China.

(2) Through the establishment of third-region companies then investing in Mainland China. (The Company invests Chin-Poon (Changshu) Electronic Co., Ltd. through Chin Poon Holdings Cayman Limited.)

(3) Other methods.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7340).

(ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of 2018	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
2,612,390	3,841,750	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 10720430500, and the certification is valid from October 29, 2018 to October 28, 2021. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7340).

(iii) Significant transactions:

Related refer to note 13(a) for the indirect and direct business transactions in China.

(14) Segment information

Please refer to the year 2018 consolidated financial statements.

Chin-Poon Industrial Co., Ltd.

Statement of cash and cash equivalents

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	
Cash and cash equivalents		$	3,589
Bank deposits	Demand deposits	$	1,695,682
	Foreign currency deposits		
	USD 23,006 thousand @30.7340		707,080
	EUR 2,349 thousand @35.1644		82,616
	JPY 362,694 thousand @0.2772		100,539
	RMB 12,056 thousand @4.7700		53,973
	THB 3,635 thousand @0.9481		3,446
	Time deposits (interest rate at 1.33%~ 4.00%)		
	USD 140 thousand @30.7340		4,303
	Checking deposit		1,000
	Subtotal		2,648,639
		$	2,652,228

Chin-Poon Industrial Co., Ltd.

Statement of financial assets measured at fair value through profit or loss－current

For the year ended December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Unit	Carrying	Gross amount	Rate (%)	Cost	Accumulated impairment	Fair value Unit price	Fair value Gross amount	Note
Jin Sun Money Market		7,549	$ -	-	-	108,688	-	14.79	111,679	No pledged as collateral
Franklin Templetin Sinoam Money Market		9,549	-	-	-	98,389	-	10.32	98,556	〃
Allinnz Glbl Inv Global Bd A		2,516	-	-	-	30,060	-	11.95	30,071	〃
						$ 237,137			240,306	

Chin-Poon Industrial Co., Ltd.

Statement of notes receivable

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Non-related parties:			
Company A	Arising from operating activities	$ 1,893	
Company B	〃	934	
Company C	〃	781	
Company D	〃	678	
Company E	〃	608	
Company F	〃	479	
Company G	〃	394	
Other (amount individually less than 5%)	〃	500	
Subtotal		6,267	
Less: loss allowance		694	
		$ 5,573	

Chin-Poon Industrial Co., Ltd.

Statement of trade receivables

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Related parties:			
Chin-Poon Holdings Cayman Limited	Arising from operating activities	$ 43,997	
Chin-Poon Japan Co., Ltd.	〃	15,823	
Chin Poon (Changshu) Electronic Co., Ltd.	〃	268,565	
Draco PCB Public Co., Ltd.	〃	55,620	
Subtotal		384,005	
Non-related parties:			
Company A	Arising from operating activities	150,824	
Other (amount individually less than 5%)	〃	2,327,458	
Subtotal		2,478,282	
Less: loss allowance		88,527	
Subtotal		2,389,755	
Total		**$ 2,773,760**	

Chin-Poon Industrial Co., Ltd.

Statement of other receivables

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Other Receivables－related parties	Supplies purchased on behalf of others	$ 16,607	
	Payment on behalf of others	9,356	
Subtotal		25,963	
Other Receivables－non-related parties	Revenue from scrap sales	44,175	
	Interest income	1	
	Other	37	
Subtotal		44,213	
Less: loss allowance for impairment		1,058	
Subtotal		43,155	
		$ 69,118	

Chin-Poon Industrial Co., Ltd.

Statement of inventories

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Amount		Note
	Cost	Net realizable value	
Finished goods	$ 1,313,426	1,433,232	Market value is represented by NRV
Work in process	698,572	813,487	〃
Raw materials	114,382	113,687	〃
Supplies	88,154	85,821	〃
Total	2,214,534	2,446,227	
Less: allowance for inventory write-down	82,903		
	$ 2,131,631		

Statement of prepayments

Type	Description	Amount	Note
Prepaid expenses		$ 18,792	
Prepayment for purchases		2,354	
Prepaid import taxes		24,423	
Other		3,986	
		$ 49,555	

Chin-Poon Industrial Co., Ltd.

Statement of Other financial assets－current

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Time deposits	RMB 78,253thousand (interest rate 4.00%~4.15%)	$ 351,140	Not in pledge

Statement of other current assets

Type	Description	Amount	Note
VAT tax recoverable		$ 59,332	
Other		2,151	
		-	
		$ 61,483	

Chin-Poon Industrial Co., Ltd.

Statement of changes in financial assets measured at fair value through profit or loss－non-current

For the year ended December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Name	Balance Beginning of period		Increase		Decrease		Balance Emd of period		Pledge as collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
SIMPLD TECHNOLOGY	76	$ 12,641	-	4,097 (Note)	76	16,738	-	-	None	

Note: The amount is due to gains on financial assets－non-current at fair value through profit or loss.

Chin-Poon Industrial Co., Ltd.

Statement of changes in investments accounted for using the equity method

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Investees	Balance, Beginning of Period		Increase		Decrease		Balance, End of Period			Market value or book value		Pledged as Collateral	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Ownership (%)	Amount	Unit price	Gross value		
VEGA International Enterprise Co., Ltd.	131,243	$ 7,032,739	-	546,942 (Note 1)	-	435,767 (Note 2)	131,243	100.00	7,143,914	-	7,143,914	None	
Draco PCB Public Co., Ltd.	416,761	1,459,137	-	55,124 (Note 3)	-	259,115 (Note 4)	416,761	99.58	1,255,146	-	1,255,146	None	
Chin Poon Japan Co., Ltd.	180	7,442	-	358 (Note 6)	-	1,274 (Note 5)	180	100.00	6,526	-	6,526	Nome	
		$ 8,499,318		602,424		696,156			8,405,586		8,405,586		

Note 1: The amount contains $544,511 thousand from investment income generated by subsidiaries and business associates, and $2,431 thousand from unrealized profits on intercompany sales.

Note 2: The amount contains $385,356 thousand in cash dividends and $50,411 thousand from exchange differences on translation of foreign financial statements.

Note 3: The amount is exchange differences on translation of foreign financial statements.

Note 4: The amount contains $257,613 thousand investment losses generated by subsidiaries and business associates and a $1,502 thousand decrease in retained earnings.

Note 5: The amount is investment income generated by subsidiaries and business associates.

Note 6: The amount is exchange differences on translation of foreign financial statements.

Chin-Poon Industrial Co., Ltd.

Statement of changes in property, plant and equipment

For the year ended December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Please refer to note 6(j).

Statement of changes in accumulated depreciation of property, plant and equipment

Please refer to note 6(j).

Statement of Other financial assets－non-current

December 31, 2018

Type	Description	Amount	Note
Refundable deposits	Rental deposits	$ 8,165	

Chin-Poon Industrial Co., Ltd.

Statement of short-term borrowings

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Lender	Ending Balance	Term	Interest Rate (%)	Line of Credit	Pledged as collateral	Note
Unsecured Loans	Taishin International Bank	$ 197,695	Within 1 year	0.54~2.96	922,020	None	
Unsecured Loans	HSBC Bank	522,478	Within 1 year	1.93~3.03	937,387	〃	
Unsecured Loans	Frst Commercial Bank (Taoyuan branch)	307,340	Within 1 year	1.967~2.7930	600,000	〃	
		$ 1,027,513					

Statement of notes payable

Suppliers	Description	Amount	Note
Company A	Arising from operating activities	$ 238,978	
Company B	〃	61,873	
Company C	〃	45,786	
Other (amount individually less than 5%)	〃	493,622	
		$ 840,259	

Chin-Poon Industrial Co., Ltd.

Statement of account payables

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Suppliers	Description	Amount	Note
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.	Arising from operating activities	$ 912,001	
Draco PCB Public Co., Ltd	〃	38,689	
Subtotal		950,690	
Non-related parties:			
Company A	Arising from operating activities	$ 100,863	
Company B	〃	64,562	
Company C	〃	48,976	
Other (amount individually less than 5%)	〃	736,363	
Subtotal		950,764	
		$ 1,901,454	

Chin-Poon Industrial Co., Ltd.

Statement of other payables

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Items	Description	Amount	Note
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.	Arising from operating activities	$ 4,238	
Draco PCB Public Co., Ltd		179	
Subtotal		4,417	
Non-related parties:			
Accrued salary, bonuses, and annual leaves		416,291	
Accrued processing fees		97,629	
Commissions payable		71,269	
		174,724	
Other (amount individually less than 5%)		193,170	
Subtotal		953,083	
		$ 957,500	

Statement of other current liabilities

Type	Description	Amount	Note
Refund liabilities		$ 488,744	
Suspense receipts		72,504	
Receipts under custody		19,575	
Guarantee deposits		630	
		$ 581,453	

Chin-Poon Industrial Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Product Types	Quantity	Amount	Note
Single-sided PCB	707,939 M^2	$ 1,422,577	
Double-sided PCB	234,714 M^2	931,600	
Multilayer PCB	1,543,623 M^2	9,271,630	
Revenue from related parties	1,047,703 M^2	3,810,778	
Single-sided mold	76 SET	422	
Double-sided mold	118 SET	594	
Multi-layer mold	490 SET	2,030	
Board	1,346 SHT	68,844	
Materials	529 KG	28,749	
Subtotal		15,537,224	
Less: sales returns and discounts		111,304	
Net revenue		$ 15,425,920	

Chin-Poon Industrial Co., Ltd.

Statement of operating costs

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Amount Subtotal	Amount Total
Raw materials:		
Beginning raw materials inventory	$ 185,679	
Add: Purchases	2,344,668	
Less: Ending raw materials inventory	114,382	
Raw materials resale	61,993	
Internal requisition for raw materials used in research and sampling	8,866	
Transfer to operating expenses	11,874	
Raw materials subtotal	2,333,232	
Supplies:		
Beginning supplies inventory	117,279	
Add: Purchases	2,826,382	
Less: Ending raw materials inventory	88,154	
Raw materials resale	27,729	
Transfer to operating expenses	19,894	
Supplies subtotal	2,807,884	
Cost of raw material used in production	5,141,116	
Direct labor	1,454,369	
Manufacturing expenses	3,627,949	
Manufacturing costs	10,223,434	
Add: Beginning work-in-process inventory	986,025	
Purchases	275,036	
Less: Ending work-in-process inventory	698,572	
	258,991	
Cost of finished goods	10,526,932	
Add: Beginning finished goods	1,576,914	
Purchases	3,609,934	
Less: Ending finished goods	1,313,426	
Tax returns from export	7,180	
Scrap	25,021	
Other	102,007	
Cost of finished goods sold		14,266,146
Cost of raw materials resale		89,722
Loss on inventory write-down		73,945
Sale of scrap		309,246
Total manufacturing costs		**$ 14,120,567**

Chin-Poon Industrial Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Salaries		$ 69,075	
Shipping expenses		92,406	
Sample expenses		84,728	
Export expenses		30,438	
Commissions		28,264	
Travelling expenses		13,155	
Other		24,336	
		$ 342,402	

Statement of administrative expenses

December 31, 2018

Type	Description	Amount	Note
Salaries		$ 100,296	
Rent expenses		29,190	
Donations		35,122	
Security service expenses		10,967	
Insurance expenses		11,608	
Servicing expenses		10,624	
Utilities		8,269	
Other		44,957	
		$ 251,033	

Chin-Poon Industrial Co., Ltd.

Statement of reseach and development expenses

December 31, 2018

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Salaries		$ 25,321	
Depreciation		56,926	
Research expenses		3,811	
		$ 86,058	

6.6 If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation.

None.

7. Review and Analysis of Financial Position and Financial Performance and Risk Management

7.1 Analysis of Financial Position

7.1.1 Explanation of Major Changes

Unit: NT$ thousand

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	14,306,924	15,225,751	(918,827)	-6%
Property, Plant and Equipment	7,117,745	7,766,272	(648,527)	-8%
Intangible Assets	0	0	0	0%
Other Assets	1,731,165	2,237,363	(506,198)	-23%
Total Assets	23,155,834	25,229,386	(2,073,552)	-8%
Current Liabilities	7,047,242	8,372,807	(1,325,565)	-16%
Noncurrent Liabilities	647,120	670,683	(23,563)	-4%
Total Liabilities	7,694,362	9,043,490	(1,349,128)	-15%
Share Capital	3,974,954	3,974,954	0	0%
Capital Surplus	1,568,318	1,568,318	0	0%
Retained Earnings	10,046,949	10,757,737	(710,788)	-7%
Other Equity	-142,180	-129,404	(12,776)	10%
Noncontrolling Interests	13,431	14,291	(860)	-6%
Total Equity	15,461,472	16,185,896	(724,424)	-4%

Explanation:

(1) Other assets: The main reason was the decrease in bank time deposits.

7.1.2 Future Response Plan

Last year, due to the impact of the fire incident on April 28, 2018, the Company’s profit decreased compared with the previous year. However, the Company has maintained a healthy state in the long-term and short-term financial position and is still able to operate steadily. In the future, we will pursue the Company’s growth while maintaining a solid financial position in order to create better compensation for our shareholders.

7.2 Analysis of Financial Performance

Unit: NT$ thousand

Item \ Year	2018	2017	Difference	
			Amount	%
Operating Revenue	20,173,888	23,645,611	(3,471,723)	-15%
Operating Cost	18,098,029	20,355,047	(2,257,018)	-11%
Gross Profit	2,075,859	3,290,564	(1,214,705)	-37%
Operating Expenses	1,180,806	1,255,422	(74,616)	-6%
Operating Income	895,053	2,035,142	(1,140,089)	-56%
Non-operating Income and Expenses	-519,984	205,760	(725,744)	-353%
Profit (loss) before Tax from continuing operations	375,069	2,240,902	(1,865,833)	-83%
Less: income tax expenses	212,844	744,693	(531,849)	-71%
Profit (loss) after Tax from continuing operations	162,225	1,496,209	(1,333,984)	-89%
Other comprehensive income, net of tax	7,716	-192,772	200,488	-104%
Total Comprehensive Income	169,941	1,303,437	(1,133,496)	-87%

Explanation:

(1) Decrease in gross profit and decrease in operating income: Due to the decrease in operating revenue and unbalanced production capacity, the cost ratio is relatively high, which reduces gross profit and operating income.

(2) Decrease in non-operating income and expenses: Due to the fire incident on April 28, 2018, the Company has recognized a disaster loss of NT$ 902,744 thousand and received insurance claims of only NT$ 350,000 thousand, which significantly reduced the net non-operating income and expenses.

(3) Other comprehensive income: The main reason was exchange differences on translation of foreign financial statements

(4) Based on the above reasons, the profit (loss) before tax from continuing operations decreased significantly and the total comprehensive Income also decreased significantly as well.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis for the Last Two Years

Item \ Year	2018	2017	Change %
Cash Flow Ratio (%)	26	31	-16%
Cash Flow Adequacy Ratio (%)	116	120	-3%
Cash Reinvestment Ratio (%)	3	5	-40%

Explanation:

(1) Cash flow ratio: The net cash inflow from operating activities during the period was reduced due to the decrease in net changes in assets and liabilities related to operating activities, resulting in a lower cash flow ratio compared to the previous year.

(2) Cash reinvestment ratio: The net cash inflow from operating activities during the period was reduced due to the decrease in net changes in assets and liabilities related to operating activities, resulting in a lower cash reinvestment ratio compared to the previous year.

7.3.2 Analysis of Cash Flow in the Coming Year

Unit: NT$ thousand

Cash Balance 12/31/2017	Net Cash Provided by Operating Activities in 2018	Net Cash Used in Investing and Financing Activities in 2018	Cash Balance 12/31/2018	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
4,077,954	2,144,840	2,997,950	3,224,844	-	-

(1) Analysis of cash flow this year:

a. Operating activities: mainly get net cash flow from net income and depreciation.

b. Investing activities: mainly use net cash flow for purchase and upgrade of equipment.

c. Financing activities: mainly use net cash flow to repay bank loans and pay cash dividends.

(2) Remedy for liquidity shortfall and liquidity analysis: None.

7.4 Impact upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year

In recent years, the Company's major capital expenditures have been used to expand the capacity of multi-layer board and HDI, to solve the existing capacity bottlenecks, to make the production process smoother, to meet the growth needs of customers, and in the end to provide stable growth momentum for the Company's business.

Due to the good operating performance of the Company, the cash inflow from the operating activities was stable. The funding for the major capital expenditures in recent years has mainly depended on its own funds, which did not have a material impact on the Company's financial position.

7.5 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

(1) In order to expand the scale of operation at Chin-Poon (Changshu) Electronics Co., Ltd., Chin Poon Holdings Cayman Limited, its parent company, has been increasing investment on it since 2007. Its share capital reaches US$120,000 thousand after years of capital increase.

Due to the improvement of management capabilities and the gradual expansion of production, the revenue and profit of Chin-Poon (Changshu) in 2018 reached RMB 1,478,007 thousand and RMB 105,601 thousand. In the future, with the expansion of production and enhancement of management, it will be expected to continue to increase its revenue and profit simultaneously.

(2) In order to seize business opportunities in Southeast Asia and South Asia, and to relieve the pressure of insufficient capacity in Taiwan and in China in the future, the Company increased its ownership in Draco PCB Public Co. Ltd, our subsidiary in Thailand, in 2012. As of April 2018, our ownership has reached 99.58%. In order to upgrade its capacity, in addition to the original capacity of single-sided boards, Draco has been expanding its capacity for double-sided multilayer boards since 2015 and for the multi-layer boards

since 2016. However, in the early stages of new product, new processes and new management system, it took time for the difficulties of local labors' learning curve, customers development and its upgrading of technical capabilities to be resolved. All of these have impact on its profit, from which the Company has recognized a loss of NT$ 257,613 thousand in 2018. At present, with the full assistance of the Company's resident engineers and managers, customers development and product yield have been gradually improved.

7.6 Assessment and Management of Risk Matters: (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report)

7.6.1 The impact of interest rate, exchange rate and inflation on the Company’s profit and loss and their response measures.

- Risk matters:
  (1) Interest rate: The Company’s current borrowings are all aimed at hedging exchange risks of US dollar. As US dollar interest rate continues to fall, the Company’s risk is not large.
  (2) Exchange rate: More than 90% of the Company’s revenue are from overseas exports, so accounts receivable are greatly affected by exchange rate changes.
  (3) Inflation: If inflation affects the price of raw materials, it will increase the Company’s costs of purchase and transportation.

- Response measures:
  (1) Interest rate: US dollar borrowing rate continues to fall, so there is no risk.
  (2) Exchange rate: Use natural hedge and hedging transactions to achieve the balance of foreign currency positions and to reduce the impact of exchange rate fluctuations. We also strengthen the finance staffs’ sense for predicting the Company’s upcoming financial position and the market trends of foreign exchange.
  (3) Inflation: Pay close attention to inflation and raw material prices. Purchase raw materials in advance, if necessary, to reduce the initial impact of their rising prices. Use the terms of price adjustment or product upgrades in the long-term contracts with customers to dampen the impacts.

7.6.2 The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and their response measures.

- Risk matters:
  (1) The Company does not engage in high-risk investments, highly leveraged investments, and all investments except principal guarantee fixed-income investments are approved by the board of directors.
  (2) The Company's loans to other parties and endorsements are only applicable to our subsidiaries of whom the Company has 100% of ownership directly or indirectly. They are purely aimed at their expansion of operations, and their quota is not large, so the risk is extremely low.
  (3) Our derivatives transactions are all aimed at foreign exchange hedging, that is, they are hedges for our position of foreign currencies in the future, but not transactions for speculative trading, so the risk is extremely low.

- Response measures:
  (1) The Company adopts the most prudent policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, so it is almost zero risk.

7.6.3 Future R&D plan and R&D Budget.

(1) Future R&D plan:

- Development of Mid./High current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of special flexible PCBs
- Development of high frequency PCBs
- Development of cavity PCB
- Evaluation of direct pattern plating for cost reduction
- Evaluation of thermally conductive materials for EPS PCB
- Evaluation of automatic robotic arm for precise handling and automatic process flow of production

(2) R&D Budget:

The R&D budget is NT$ 129,432 thousand.

7.6.4 Impacts on the Company's finance and business of important domestic and international government policies and changes in

the legal environment at home and abroad and their response measures

- Risk matters:
  (1) Domestic and foreign industrial policies and laws and regulations on finance, tax and environmental protection, etc., will have an impact on the Company's profit and loss.

- Response measures:
  (1) Dedicated staffs are responsible for collecting information on domestic and international government policies and changes in the legal environment at home and abroad where our subsidiaries are located and timely forwarding them to the relevant departments to formulate response measures.
  (2) Strengthen internal control integration and information notice to avoid tax loss or other penalties caused by tax audit and other violations.

7.6.5 Impact of technological developments and industrial changes on the Company's finance and business and their response measures

- Risk matters:
  (1) Technological developments: The rapid developments in high tech products and the emergence of new technologies may lead to the disappearance of existing products and the birth of new products, which in turn will lead to changes in the competitive advantages of different companies.
  (2) Industrial changes: Regional industrial changes will also affect the competitive advantages of different companies. For example, Taiwan PCB makers have expanded their production in China. And it affects the development of PCB makers still in Taiwan.

- Response measures:
  (1) Pay close attention to the market trends and maintain good interaction with customers to apprehend the real needs of customers and the market and then research and develop products and services with high market value.
  (2) Prudently evaluate and actively introduce innovative technologies and processes with market value and assist manufacturing departments to

smoothly introduce new processes and technologies.

(3) The Company currently has production bases in Taiwan, in China and in Thailand, all of which focus on the respective advantages of different regions and develop market strategies in different regions.

7.6.6 The impact of corporate image change on corporate crisis management and their response measures

- Risk matters:

(1) The Company's corporate image has always remained stable and positive. Our revenue keeps growing year by year. Our profit remains stable. Our financial position is always strong. The Company does not intend to change this good corporate image, so there is no such impact.

- Response measures:

(1) The Company will maintain our stable and positive image. In the event of any crisis, we will adopt a pragmatic and honest approach to effectively resolve possible crises.

7.6.7 Expected benefits and possible risks associated with any merger and acquisition and their response measures

- Risk matters:

(1) Although the PCB industry has an issue of overcapacity, because each PCB maker's market share is not high, it is unlikely that the industry will consolidate through mergers and acquisitions. Therefore, mergers and acquisitions are not a better choice for any PCB maker's growth.

- Response measures:

(1) As the current stage is not a good time for mergers and acquisitions, the Company has no plans to do that.

7.6.8 Expected benefits and possible risks associated with any capacity expansion and their response measures

- Risk matters:

(1) As Taiwan's and the world's electronics manufacturers upstream and

downstream have moved to China in large numbers and new industrial clusters of the electronics industry have appeared in China, they have impact on Taiwan's electronics manufacturers, resulting in a certain of purchase orders' moving to China.

- Response measures:
  (1) The Company's marketing strategy focuses on niche markets while maintaining a balanced capacity expansion both in Taiwan and in China. As early as the IT industry cluster in Taiwan was quite complete, the Company has actively developed overseas markets and avoided the extraordinarily intensive competition in the domestic market of PCBs for IT industry. With the formation of the electronics industry cluster in China, the Company has also avoided the target markets of most of PCB makers in China and has focused on the niche markets of high-end products in Europe, America and Japan and has achieved rewarding results.
  (2) The main target of the Company's capacity expansion is to meet the needs of the above-mentioned European, American and Japanese customers whose growth is stable. So, we can expand our capacity in a stable and prudent manner. Therefore, we can grow every year without causing overcapacity.
  (3) Since 2007, China has restricted the expansion of the PCB industry in the PCB industry clusters in East China and South China on the grounds of environmental protection. And the cost of labor, tax and other expenses in China have also increased significantly. Those will benefit the capacity expansion in Taiwan and in other regions of Asia.

7.6.9 Risks associated with any consolidation of sales or purchases and their response measures

- Risk matters:
  (1) Purchases: In the production of printed circuit boards, CCLs take the highest proportion of the raw materials. Therefore, the top ten suppliers are mostly manufacturers of various types of CCLs, such as Nan Ya Plastics, TUC, EMC and ITEQ, etc. Nan Ya Plastics is the manufacturer with the largest supply of CCLs in Taiwan. They have abundant production capacity and can keep stable supply, so it has been our largest supplier in the past three years. The materials we purchase from it include glass fiber epoxy CCLs and composite CCLs.

In general, domestic printed circuit board manufacturers have sufficient domestic supply of raw materials and do not need to rely too much on imports.

(2) Sales: The top 10 customers of the Company are mostly international big companies, The Company adopts a diversified customer policy, so it does not have a single customer with more than 10% of our sales. Therefore, there is no risk of consolidation of sales.

- Response measures:
  (1) Purchases: Although there is no risk of consolidation of purchases, the Company has been still paying attention to the possibility of that at any time to prevent its risks.
  (2) Sales: At present, although there is no risk of consolidation of sales, the Company has been still paying attention to the possibility of that at any time to prevent its risks.

7.6.10 Impact on the Company of a major quantity of ownership changes in shareholding of directors, supervisors and major shareholders with 10% shareholdings or more and their response measures

- Risk matters:
  (1) Since the establishment of the Company, there has been no such a major quantity of ownership changes in shareholding of directors, supervisors and major shareholders with 10% shareholdings or more. Only after the death of the former chairperson in 2003, there was ownership changes due to inheritance. But the board of directors and the management team still remain the same and there is no major change.

- Response measures:
  (1) The Company has already implemented the principle of professional managers operating the Company and we are not a family enterprise. Therefore, even if there is a major change in the Company’s ownership, the management team will still keep their consistent professional attitude and seek the best interests for shareholders. No matter what happens in ownership, we expect there is no adverse impact.

7.6.11 Impact of changes of managerial control or top management on

the Company, its risks and response measures

- Risk matters:
  (1) Since the establishment of the Company, there has been no changes of managerial control. Even if the former chairperson died in 2003, the Company still maintains the same top management.

- Response measures:
  (1) The Company has already implemented the principle of professional managers operating the Company and we are not a family enterprise. Therefore, even if there is a change of managerial control or top management in the Company, the management team will still keep their consistent professional attitude and seek the best interests for shareholders. No matter what happens in managerial control or top management, we expect there is no adverse impact.

7.6.12 Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that (1) involve the Company and/or any one of its directors, supervisors, CEO, any person who is actually in charge of the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company, and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

- Risk matters:
  (1) The Company’s Building 3 of Pin-Cheng Plant had a fire incident on the evening of April 28, 2018. Seven of the firefighters who entered the scene of fire to lay out fire hoses in order to extinguish the fire were too late to retreat and were trapped in the fire. Unfortunately, among them, six firefighting heroes died and one was seriously injured. In addition, two foreign employees died in the dormitory in Building 2 of

Pin-Cheng Plant.

(2) Due to the fire incident, Taiwan Taoyuan District Prosecutors Office has prosecuted six persons, i.e. a section manager and an engineer who were in charge of equipment maintenance and those who were responsible for the construction of the Building 3 of Pin-Cheng Plant, including Wei-Jin Huang (chairperson), Hsiang-Sheng Chen (former VP and current director), a section manager of Equipment (current manager of Engineering & Maintenance) and a former plant manager of Pin-Cheng Plant, for their suspected crimes of negligently setting fire and of negligently causing the death of another in the performance of his occupational duties or activities. The case is currently at the trial in the Taiwan Taoyuan District Court.

- Response measures:

(1) Before the prosecution, the Company had reached all civil settlement with the family members of two dead foreign employees, six dead firefighting heroes and one fire hero who was seriously injured. Therefore, no one submitted a civil claim to the Company.

(2) Regarding the causes of the fire and the causes of casualties, the Company will fully cooperate with the investigation of the Taiwan Taoyuan District Court to clarify the cause of the fire and the related responsibilities.

7.6.13 Other important risks.

- Risk matters:

(1) None

- Response measures:

(1) None

7.6.14 Risk Management Organization

Important Risk Assessment Item	Risk Control Unit (unit in charge of the related affairs) (1st mechanism)	Risk Review and Control (2nd mechanism)	Board of Directors and Audit Office (3rd mechanism)
1. interest rate, exchange rate and financial risks 2. high-risk investments, highly leveraged investments, loans to other parties, derivatives transactions, financial investments	Finance Finance	Top Management	Board of Directors (making decision and being the final controller of risk assessment control)
3. R&D plan 4. changes of policies and laws 5. technological developments and industrial changes 6. corporate image change 7. investment, securities investment and benefits of mergers and acquisitions	Technology CEO's Staff Office Plants Sales Finance	Top Management	Audit Office (in charge of inspection, assessment, supervision, improvement tracking, reporting on risks)
8. safety of labors and plants 9. accident prevention and response	Safety & Health Administration	Top Management	
10. expansion of plants or capacity 11. consolidation of sales or purchases	Plants Purchase 1, Purchase 2	Top Management	
12. ownership changes of directors and major shareholders 13. managerial control	Stock Affairs, Board of Directors Stock Affairs, Board of Directors	Top Management	
14. Litigious and non-litigious matters 15. Other Operating Matters	CEO's Staff Office CEO's Staff Office	Top Management	

7.6.15 Information Security Risk Assessment

- Risk matters:
  (1) Computer virus outbreaks and external intrusion attacks: In this era of information flooding, all kinds of devices on the network may be the targets of attacks, and mechanisms for preventing and blocking various types of malicious attacks should be established to avoid serious losses.
  (2) Data leakage: All kinds of production and operation data, core technical documents and employee personal information are important assets of the Company. If their leakage happens, it will harm the Company and cause serious losses.
  (3) System anomalies, disasters and hazards: In a highly information-based environment of production and operations, information systems and networks are important and uninterruptible core of business operations. Any abnormality or disruption may result in losses of production and operations.

- Response measures:
  (1) Establish a multi-layered virus protection mechanism to conduct multi-layer security checks on external data to avoid intrusion of external viruses and malicious programs and to reduce risks.
  (2) Establish a partitioned network for a mechanism of isolating compromised areas. If a poisoning incident occurs, the partitioning can be started in time to prevent the spread of malicious programs such as viruses and Trojans, minimize the damage, and help to analyze the cause of the virus outbreak in time to carry out virus removal and vulnerability enhancement.
  (3) Implement control of computers' internet access and USB access to avoid unauthorized access and to reduce data leakage and virus infection.
  (4) Perform data backup on a regular basis, check them daily and perform periodic recovery tests to ensure the integrity of the backuped data.
  (5) Each core system is built with remote backup system and remote redundant system. The important data is backed up regularly and the backup media is stored in the anti-theft and fire-proof places with advanced security.
  (6) Develop emergency response plans for each system to ensure that the system becomes operational again in the shortest possible time in the

event of an anomaly or an accident and the data remain uncompromised.

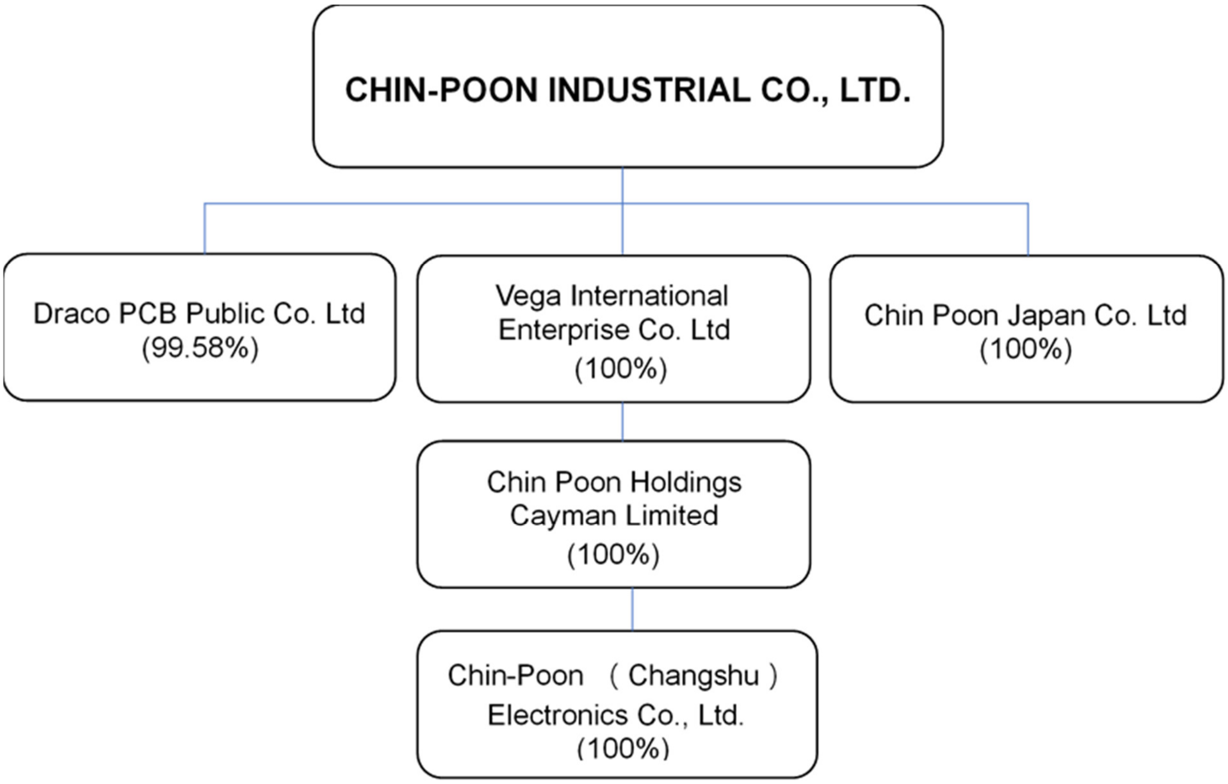
(7) Regularly carry out drills of emergency response plans to ensure that employees have an emergency awareness and a responsive capability.

7.7 Other important matters: None.

8. Other Items Deserving Special Mention

8.1 Information on the Company's Affiliated Enterprises:

8.1.1 Family Tree



8.1.2 Basic Information of Each Affiliated Enterprise (as of March 31, 2019)

Type	Company	Date of Incorporation	Place of Registration	Share Capital	Main Business
Parent company	Chin-Poon Industrial Co., Ltd.	Sep. 26, 1979	No. 46, Neicuo St., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT$ 3,974,954 thousand	Manufacturing, processing and sale of printed circuit boards
Subsidiaries	Vega International Enterprise Co.,LTD	Aug. 21, 2000	Jipfa Building, 3rd Floor, 142 Main Street, Road Town, Tortola, British Virgin Islands.	US$ 131,243 thousand	Investments
	Chin Poon Holdings Cayman Limited	May 9, 2006	Scotia Centre, 4th floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, British West Indies.	US$ 92,354 thousand	Investments
	Chin-Poon (Changshu) Electronics Co., Ltd.	Jul. 4, 2006	No.98 Huangpujiang Road Changshu Southeast Economic Development Zone of Jiangsu, Jiangsu Province 215500, China	US$ 120,000 thousand	Manufacturing, processing and sale of printed circuit boards
	Chin Poon Japan Co., Ltd.	Jan. 20, 2010	402 3-23-23 Marunouchi Naka-Ku Nagoya-shi Aichi 460-0002, Japan	JPY 9,000 thousand	Investments
	Draco PCB Public Co. Ltd.	Jan. 25, 1989	Bangkadi Industrial Park, Mu 5, 152 Tiwanon Road, Amphur Muang, Pathumthani 12000,Thailand	THB 418,499 thousand	Manufacturing, processing and sale of printed circuit boards

8.1.3 Information on the common shareholders in the companies having controlling and subordinate relation between them: None.

8.1.4 What businesses engaged by the whole group of affiliated enterprises: manufacturing and investments.

8.1.5 Information on Directors and CEOs of Affiliated Enterprises: (as of April 29, 2019)

Unit: shares; %

Company	Title	Name	Shareholding	Shareholding %
Chin-Poon Industrial Co., Ltd.	Chairperson & CEO	Huang, Wei-Jin	13,238,409	3.33
	Director	Lin, Pi-Chi	8,038,649	2.02
	Director	Tung, Hsiao-Hung	6,308,043	1.59
	Director	Tseng-Liu, Yu-Chih	9,603,279	2.42
	Director	Lai, Hwei-Shan	6,283,114	1.58
	Director	Tseng, Wen-Yu	5,546,357	1.40
	Independent Director	Chen, Hsiang-Sheng	56,637	0.01
	Independent Director	Chen, Shi-Shu	0	0
	Independent Director	Hsu, Sung-Tsai	1,242	0.00
Vega International Enterprise Co., Ltd	Chairperson	Huang, Wei-Jin (its representative)	131,242,925	100
Chin Poon Holdings Cayman Limited	Chairperson	Huang, Wei-Jin (its representative)	92,354,035	100
Chin-Poon (Changshu) Electronics Co., Ltd.	Chairperson	Lin, Pi-Chi	Note	100
	Director	Tung, Hsiao-Hung		
	Director	Tseng-Liu, Yu-Chih		
	Director	Tseng, Wen-Hsieh		
	Director	Tung, Hsiao-Hung		
	Director	Tseng, Wen-Yu		
	Director	Lai, Hwei-Shan		
Chin Poon Japan Co., Ltd.	Chairperson	Lin, Pi-Chi (its representative)	180	100
	Director	Sakai, Yumi		
Draco PCB Public Co. Ltd.	Chairman of the Board	Mr. Viphandh Roengpithya		
	Director/ Managing director	Mr. Chen, Jung Kun (or Mr. Alan Chen)	500	0.00
	Director	Mr. Huang, Wei-Jin (or Mr. Vincent Huang)	-	-
	Director	Mr. Hsiao, Hsien-Jen (or Mr. Fred Shiau)	-	-
	Director	Mr. Lin Pi-Chi	-	-
	Independent Director/ Audit Committee	Mr. Adul Amatavivadhana	-	-

Note: The company is a limited Company with Share Capital of US$120,000 thousand as of March 31, 2019.

8.1.6 Overview of Affiliated Enterprises in 2018

Unit: thousand

Company	Share Capital	Total Assets	Total Liability	Total Equity	Operating Revenue	Operating Income	Net Income	Earnings Per Share
Chin-Poon Industrial Co., Ltd. (NT$)	3,974,954	21,384,291	5,936,250	15,448,041	15,425,920	619,681	163,311	0.41
Vega International Enterprise Co.,LTD (US$)	131,243	232,474	-	232,474	-	-	18,063	0.14
Chin Poon Holdings Cayman Limited (US$)	92,354	242,555	10,081	232,474	40,779	675	18,063	0.20
Chin-Poon (Changshu) Electronics Co., Ltd. (RMB)	864,973	1,947,423	673,554	1,273,869	1,478,007	105,350	105,601	Note 1
Chin Poon Japan Co., Ltd.(JPY)	9,000	283,886	260,345	23,541	647,514	-4,703	-4,679	Note 2
Draco PCB Public Co. Ltd.(THB)	418,499	2,328,395	1,039,391	1,289,004	2,116,297	-271,922	-277,218	-0.66

Note 1: The company is a limited Company with no calculation of earnings per share.
Note 2: Chin Poon Japan Co., Ltd. issues 180 shares at a price of JPY 50,000 per share.

8.1.7 Consolidated Business Report of the Affiliates and Consolidated Financial Statements of the Affiliates:

The Company's affiliates who shall be included in its consolidated financial statements of 2018 (from January 1, 2018 to December 31, 2018) in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as its affiliates who shall be included in its consolidated financial statements of 2018 in accordance with “IFRS 10 Consolidated Financial Statements” recognized by Financial Supervisory

Commission. And the relevant information which should be disclosed in the consolidated financial statements of the affiliates has been disclosed in the consolidated financial statements, so no separate consolidated financial statements of the affiliates will be prepared.

8.1.8 Affiliation Report: Not applicable.

8.2 Private Placement of Securities: None.

8.3 Holding or disposal of shares of the company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.4 Other Supplementary Information: None.

9. Matters that have a significant impact on shareholders' equity or the price of the Company’s securities In the most recent year and up to the date of publication of the annual report, if there is any significant impact on shareholders' equity or securities price as stipulated in Article 36.3.2 of the Securities Exchange Act, it shall be stated item by item: None

Appendix 1

Chin-Poon Industrial Co., Ltd.
Statement of Internal Control System

Date: March 20, 2019

Based on the findings of a self-assessment, Chin-Poon Industrial Co., Ltd. states the following with regard to its internal control system during the year 2018:

1. Chin-Poon's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets, etc.), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Chin-Poon takes immediate remedial actions in response to any identified deficiencies.
3. Chin-Poon evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.

4. Chin-Poon has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5. Based on the findings of such evaluation, Chin-Poon believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) which has provided reasonable assurance over our operational

effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

6. This Statement is an integral part of Chin-Poon's annual report for the year 2018 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This statement was passed by the board of directors on March 20, 2019, with none of the nine attending directors expressing dissenting opinions and with the remainder of them all affirming the content of this Statement.

Chin-Poon Industrial Co., Ltd.

Chairperson: Huang, Wei-Jin

CEO: Huang, Wei-Jin

CHIN-POON INDUSTRIAL CO., LTD.

Chairperson: HUANG, WEI-JIN