Stock Code: 2355

CHIN-POON INDUSTRIAL CO., LTD.

2019 ANNUAL REPORT

(Translation)

June 23, 2020

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

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1. Letter to Shareholders

Dear Shareholders

We really appreciate your continuous support all these years. We are reporting the following items here 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 2019

Our consolidated operating revenue in 2019 was NT$ 17,848,498 thousand and decreased by 11.53% and by NT$ 2,325,390 thousand from 2018. The main reason for the decline in revenue was that the Company has been focusing on the automotive business and the global auto market in 2019 experienced the largest decline in recent years, which resulted in a significant decrease in demand. Furthermore, competition in the automotive market has also become intensive. Our operating income in 2019 was NT$ 298,142 thousand and decreased by 66.69% and by NT$ 596,911 thousand from 2018. The decline in operating income was mainly due to low capacity utilization and increased related costs. We have expected a recovery of the global auto market in 2019 and had an aggressive expansion plan for the expected recovery. However, the global auto market fell sharply in 2019, hugely contrary to our expectation. It resulted in low capacity utilization and higher operating cost and had impact on our gross margin and operating income. In addition, due to stricter and stricter environmental policies in Mainland China, the related manufacturing costs also increased significantly. Our profit before tax rose from NT$ 375,069 thousand in 2018 to NT$ 832,354 thousand in 2019, an increase of 121.92%. Our profit before tax has grown against the decline in operating income. It was mainly due to our receiving insurance claims of NT $ 350,000 thousand. Our net income in 2019 was NT$ 659,972 thousand and increased by 306.83% and by NT$ 497,747 thousand from 2018. So, our earnings per share (EPS) also increased from NT$ 0.41 in 2018 to NT$ 1.66 in 2019.

Operating Results in 2019

Unit: NT$ in thousands

Item \ Amount	2019	2018	Plus or Minus (Amount)	Plus or Minus (%)
Operating Revenue	17,848,498	20,173,888	(2,325,390)	(11.53%)
Operating Costs	16,453,990	18,098,029	(1,644,039)	(9.08%)
Gross Profit	1,394,508	2,075,859	(681,351)	(32.82%)
Operating Expenses	1,096,366	1,180,806	(84,440)	(7.15%)
Operating Income	298,142	895,053	(596,911)	(66.69%)
Non-operating Income and Expenses	534,212	(519,984)	1,054,196	(202.74%)
Profit before Tax	832,354	375,069	457,285	121.92%
Consolidated Profit	659,972	162,225	497,747	306.83%
Profit, attributable to Owners of Parent Company	660,825	163,311	497,514	304.64%

Our budget achievement of operating revenue and operating costs were 84% and 91% of the 2019 budget targets. The main reason for its deviation from the budget is that the global auto market has fallen significantly in 2019, and there is a considerable gap between the customers' promised demand and the budget. Our budget achievement of Profit before Tax was 40%, owing to the 44% achievement of gross margin, which is directly related to low capacity utilization and related high cost.

Budget Achievement in 2019

Unit: NT$ in thousands

Item \ Amount	Actual Amount	Budget Amount	Achievement Rate (%)
Operating Revenue	17,848,498	21,252,972	84%
Operating Costs	16,453,990	18,056,530	91%
Gross Profit	1,394,508	3,196,442	44%
Operating Expenses	1,096,366	1,246,680	88%
Operating Income	298,142	1,949,762	15%
Non-operating Income and Expenses	534,212	151,144	353%
Profit before Tax	832,354	2,100,906	40%

Although the Company's business in 2019 was greatly affected by the significant decline in the global automotive market, from the first quarter of 2019 on, we immediately adjusted our operating strategy and changed our focus from aggressive expansion to conservative operation, so net income for the whole year could still grow compared to last year. And our long-term and short-term financial position remained healthy. The debt-to-asset ratio in 2019 was 31.89%, which was even better than the 33.23% in

2018. The current ratio and quick ratio in 2019 were 204% and 154%, which was an improvement over the 2018 current ratio and quick ratio of 203% and 150%. 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 2019.

Results of R&D in 2019

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. Partial thermal management PCB – AlN
G. Development of Rigid-flex
H. Development of Cavity PCB
I. Assisting overseas factories to upgrade their capabilities
J. Others

Our Plan for 2020

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:	1,888,851 M2 (square meter)
Volume of Double-sided & Multilayer:	4,590,977 M2 (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, 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. Especially, 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 middle/high current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of semi-flex with 3 flex layers
- Development of rigid flex – flex tail & unbonded stack-up
- 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 robot arm for precise handling and automatic process flow of production

2. R&D Budget

The total budget for research and development is around NT$ 103 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, to 99.65% in 2019. 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 2019 was NT$ 662 billion and increased by 1.7%.

After having experienced a slowdown in 2018, the global economic growth declined further under the impact of the trade war between USA and China in 2019, which resulted in a global economic growth rate of only 2.9% (IMF estimate), the lowest in the recent years. While the U.S. economy was still strong and the Federal Reserve took precautionary measures to cut interest rates in 2019, global demand growth has been depressed as the European and Japanese economies remained sluggish and growth in major emerging economies has slowed significantly. At the same time, the US-China trade war that has led to the restructuring of global supply chains and the UK's strong process of breaking away from EU have increased uncertainty in the global economy. However, the global economy has maintained modest growth amid the turmoil, allowing exporters to ride out 2019 smoothly.

Looking ahead to 2020, the global economy appears to have a chance of bottoming out, but the current rapid global spread of COVID-19 has led to significant uncertainty in the supply and demand of the global economy. According to the IMF's original forecast, global economic growth is expected to rise from 2.9% in 2019 to 3.3% in 2020. However, since the spread of COVID-19 is still in the beginning stages, the subsequent effects will become more and more severe. In particular, in order to prevent the spread of COVID-19, governments of various countries have been imposing lockdown, banning large-scale events, banning foreigners from entering their countries, and other measures which have had a significant negative impact on the exchange and promotion of the global economy. It is estimated that the IMF will have to lower the global economic growth rate in 2020. It is expected to be a year of high uncertainty.

According to the forecast of IEK, total revenue of Taiwan’s PCB makers in 2020 is expected to be NT$ 681 billion and increased by 2.8%. 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 2019, 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.

In addition, the Company recognizes the advent of the era of smart manufacturing and 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 its 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.

Over the past year, the Company has achieved a certain level of profitability in the face of the global auto market downturn and fierce competition in the auto business, thanks to the efforts and dedication of all employees. 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,

Chairperson Chief Executive Officer Principal Accounting Officer

2.Company Profile

2.1 Founding Date

September 26, 1979.

2.2 Milestones

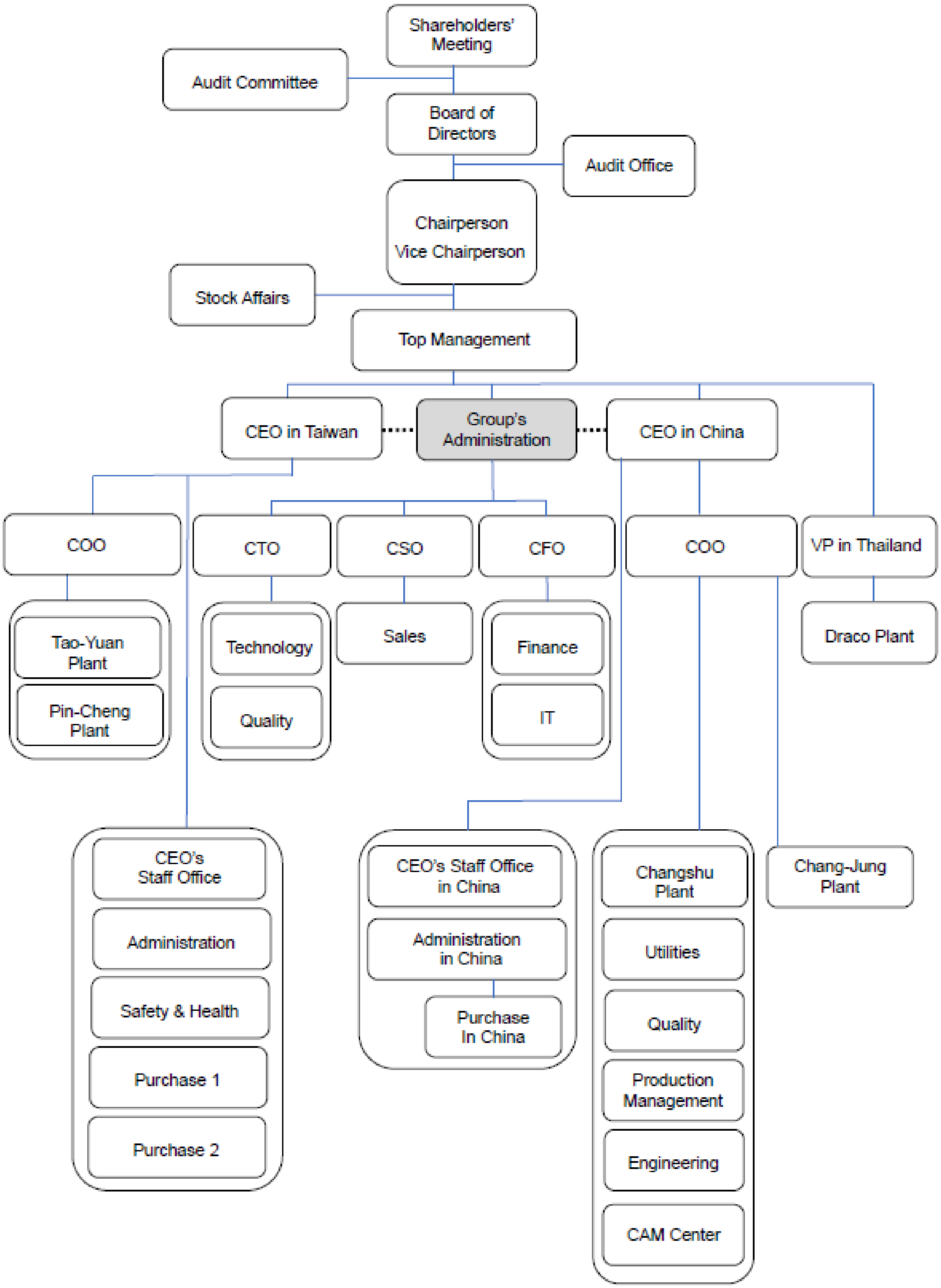
Year	Milestones
1979	Chin Poon Industrial Co., Ltd. founded with a share capital of NTD 2 million.
1984	T1 plant established.
1988	Acquired Da-Hong Industrial Co., Ltd..
1989	Invested in Draco PCB Public Co., Ltd. in Thailand to expand the market in South East Asia.
1990	Became a public-held company.
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.
2019	Increased ownership of Draco PCB Public Co., Ltd. in Thailand up to 96.65%.

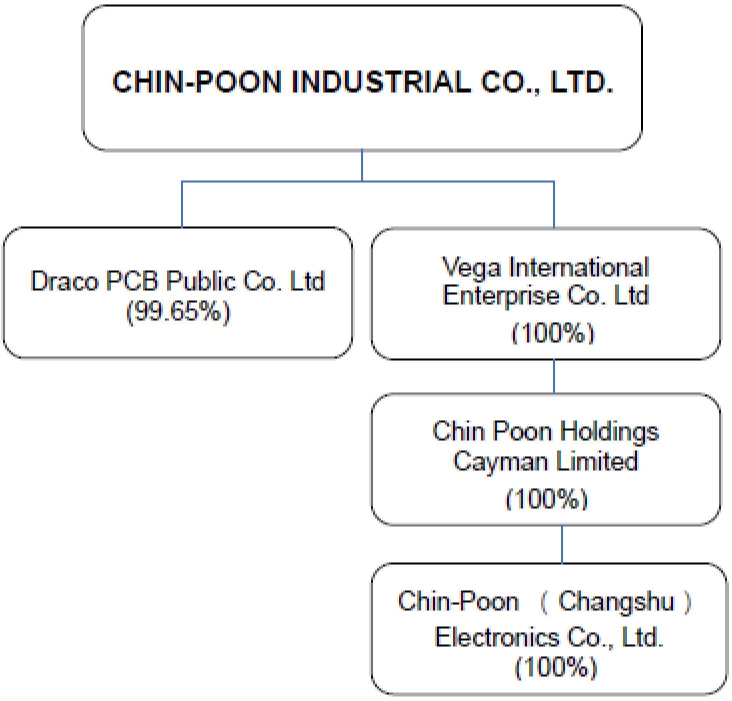
3. Corporate Governance

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 25, 2020

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, 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.		None	
Director	R.O.C.	Lin, Pi-Chi	Male	2017.06.22	3	1979.08.11	8,287,649	2.08%	7,750,649	1.95%	2,591,839	0.65%	-	-	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, 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%	1,322,422	0.33%	-	-	Assistant Manager, Chin-Poon Industrial Co., Ltd. St. Francis Xavier High School	Director, Chin-Poon (Changshu) Electronics Co., Ltd.		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	None		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%	88,637	0.02%			-	-	Vice President, Chin-Poon Industrial Co., Ltd. National Taiwan Normal University	None		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	None		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 25, 2020

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	11	12	
Lin, Pi-Chi			V	V	V		V	V	V	V	V	V	V	V	V	
Tseng-Liu, Yu-Chih			V	V	V		V	V	V	V	V	V	V	V	V	
Tseng, Wen-Yu			V	V	V		V	V	V	V	V	V	V	V	V	
Huang, Wei-Jin			V		V		V	V	V	V	V	V	V	V	V	
Lai, Hwei-Shan			V	V	V		V	V	V	V	V	V	V	V	V	
Tung, Hsiao-Hung			V	V	V		V	V	V	V	V	V	V	V	V	
Chen, Hsiang-Sheng			V	V	V	V	V	V	V	V	V	V	V	V	V	
Chen, Shi-Shu		V		V	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	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, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.
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, who is related to anyone of the managers in the first subparagraphs or to anyone of the persons in the preceding two 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 or who has designated a natural person as its proxy to exercise, on its behalf, the duties of the Company's director in compliance with Paragraph I and Paragraph II of Article 27 of Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in the different entities at the same time in compliance with the laws and regulations.
6. Not a director, supervisor, or employee of a company which is controlled by a person who holds more than 50 percent of the Company's directors or voting shares. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.
7. Not a director, supervisor, or employee of a company which is controlled by a person who is the Company's chairperson, CEO or his/her spouse. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.
8. 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. Not applicable in cases where the person is an independent director of the specified company or institution which holds more than 20% but less than 50% of the Company's outstanding shares and is also an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in in some of the preceding entities at the same time in compliance with the laws and regulations.
9. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing, commercial, legal, financial, accounting services or consultation, the accumulative expenditure for the services except auditing in the recent two years are less than NT$ 500,000, to the Company or to any affiliate of the Company, or a spouse thereof. Not applicable in cases where the person is a member of the compensation committee, the public tender offer review committee, or the special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, 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 25, 2020

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 25, 2020

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.	Alan Hwang	Male	2019.07.12	150,955	0.04%	-	-	-	-	M.S., National Cheng Kung University	None		None	
CEO in China	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.	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	
AVP	R.O.C.	Phil Su	Male	2019.08.13	5,000	0.00%	-	-	-	-	M.S., National Sun Yat-sen 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, etc. for this Fiscal Year

3.3.1 Remuneration for Directors

3.3.1.1 Remuneration for Directors except Independent Directors

Unit: NT$ thousand

Title	Name	Remuneration: Base Compensation (A) (Note 2): The Company	Remuneration: Base Compensation (A) (Note 2): From All Consolidated Entities (Note 7)	Remuneration: Severance Pay & Pensions (B): The Company	Remuneration: Severance Pay & Pensions (B): From All Consolidated Entities (Note 7)	Remuneration: Remuneration to Directors (C) (Note 3): The Company	Remuneration: Remuneration to Directors (C) (Note 3): From All Consolidated Entities (Note 7)	Remuneration: Allowances (D) (Note 4): The Company	Remuneration: Allowances (D) (Note 4): From All Consolidated Entities (Note 7)	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): From All Consolidated Entities (Note 7)	Compensation Earned by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 5): The Company	Compensation Earned by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 5): From All Consolidated Entities (Note 7)	Compensation Earned by Directors Who are Also Employees: Severance Pay & Pensions (F): The Company	Compensation Earned by Directors Who are Also Employees: Severance Pay & Pensions (F): From All Consolidated Entities (Note 7)	Employees' Profit-sharing Bonus (G) (Note 6): The Company: Cash	Employees' Profit-sharing Bonus (G) (Note 6): The Company: Stock	Employees' Profit-sharing Bonus (G) (Note 6): From All Consolidated Entities (Note 7): Cash	Employees' Profit-sharing Bonus (G) (Note 6): From All Consolidated Entities (Note 7): Stock	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10): From All Consolidated Entities (Note 7)	Compensation Paid from Non-consolidated Investees or the parent company (Note 11)
Director	Huang, Wei-Jin	3,798	3,798	0	0	3,600	3,600	1,920	1,920	1.41%	1.41%	4,637	4,637	86	86	0	0	0	0	2.12%	2.12%	0
Director	Lin, Pi-Chi																					
Director	Tseng-Liu, Yu-Chih																					
Director	Tung, Hsiao-Hung																					
Director	Lai, Hwei-Shan																					
Director	Tseng, Wen-Yu																					

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 compens directors for their services, such as being independent contractors.

3.3.1.2 Remuneration for Independent Directors

Unit: NT$ thousand

Title	Name	Remuneration: Base Compensation (A) (Note 2): The Company	Remuneration: Base Compensation (A) (Note 2): From All Consolidated Entities (Note 7)	Remuneration: Severance Pay & Pensions (B): The Company	Remuneration: Severance Pay & Pensions (B): From All Consolidated Entities (Note 7)	Remuneration: Remuneration to Directors (C) (Note 3): The Company	Remuneration: Remuneration to Directors (C) (Note 3): From All Consolidated Entities (Note 7)	Remuneration: Allowances (D) (Note 4): The Company	Remuneration: Allowances (D) (Note 4): From All Consolidated Entities (Note 7)	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): From All Consolidated Entities (Note 7)	Compensation Earned by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 5): The Company	Compensation Earned by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 5): From All Consolidated Entities (Note 7)	Compensation Earned by Directors Who are Also Employees: Severance Pay & Pensions (F): The Company	Compensation Earned by Directors Who are Also Employees: Severance Pay & Pensions (F): From All Consolidated Entities (Note 7)	Employees' Profit-sharing Bonus (G) (Note 6): The Company: Cash	Employees' Profit-sharing Bonus (G) (Note 6): The Company: Stock	Employees' Profit-sharing Bonus (G) (Note 6): From All Consolidated Entities (Note 7): Cash	Employees' Profit-sharing Bonus (G) (Note 6): From All Consolidated Entities (Note 7): Stock	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10): From All Consolidated Entities (Note 7)	Compensation Paid from Non-consolidated Investees or the parent company (Note 11)
Independent Director	Chen, Hsiang-Sheng	0	0	0	0	1,080	1,080	720	720	0.27%	0.27%	0	0	0	0	0	0	0	0	0.27%	0.27%	0
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 compens directors for their services, such as being independent contractors.

Note 1: The names of directors are individually presented and the amount of each payment is disclosed in a consolidated manner. The directors except independent directors and the independent directors are shown separately in different tables.

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 or the parent company should be disclosed clearly.

b. If a company director has received compensation from non-consolidated investees or the parent company, 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 or the parent company ".

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 or the parent company.

* 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.

3.3.1.3 Policy, System, Standards and Composition for the Remuneration of Independent Directors

The Company has only one policy on the remuneration of independent directors, i.e., a fixed amount of remuneration with each independent director paid at NT$600,000 per year. Defined benefit remuneration allows independent directors to maintain independence in their decision-making, as the performance and profitability of any material decision is independent of the independent director's compensation, avoiding the risk that the independent director will lose his or her independent judgment by having an interest in a material decision. The payment of NT$600,000 for each independent director is above the average, which allows our independent directors to be reasonably compensated as well.

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$ 1,000,000	Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai
NT$1,000,001 ≤ X < NT$2,000,000	Lin, Pi-Chi Tseng-Liu, Yu-Chih	Lin, Pi-Chi Tseng-Liu, Yu-Chih	Lin, Pi-Chi Tseng-Liu, Yu-Chih	Lin, Pi-Chi Tseng-Liu, Yu-Chih
NT$2,000,001 ≤ X < NT$3,500,000				
NT$3,500,001 ≤ X < NT$5,000,000	Huang, Wei-Jin	Huang, Wei-Jin		
NT$5,000,001 ≤ X < NT$10,000,000			Huang, Wei-Jin	Huang, Wei-Jin
NT$10,000,001 ≤ X < NT$15,000,000				
NT$15,000,001 ≤ X < NT$30,000,000				
NT$30,000,001 ≤ X < NT$50,000,000				
NT$50,000,001 ≤ X < NT$100,000,000				
X ≥ NT$100,000,000				
Total				

3.3.3 Remuneration and Remuneration Range of Supervisors

Not applicable.

3.3.4 Compensation for CEO and VPs, etc.

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name (note 1)</th><th colspan="2">Salary (A) (note 2)</th><th colspan="2">Severance Pay & Pensions (B)</th><th colspan="2">Bonuses & Allowances etc. (C) (note 3)</th><th colspan="4">Employees’ Profit-sharing Bonus (D) (note 4)</th><th colspan="2">Total Compensation (A+B+C+D) as a % of Net Income (note 8)</th><th rowspan="3">Compensation Paid from Non-consolidated Investees (note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities (note 5)</th><th colspan="2">The Company</th><th colspan="2">From All Consolidated Entities (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities (note 5)</th></tr>
<tr><th>Cash</th><th>Share</th><th>Cash</th><th>Share</th></tr>
<tr><td>CEO</td><td>Wei-Jin Huang</td><td rowspan="7">14,802</td><td rowspan="7">15,674</td><td rowspan="7">894</td><td rowspan="7">894</td><td rowspan="7">14,431</td><td rowspan="7">14,516</td><td rowspan="7">868</td><td rowspan="7">0</td><td rowspan="7">868</td><td rowspan="7">0</td><td rowspan="7">4.69%</td><td rowspan="7">4.84%</td><td rowspan="7">0</td></tr>
<tr><td>CEO</td><td>Alan Hwang</td></tr>
<tr><td>CEO in China</td><td>Charlie Tseng</td></tr>
<tr><td>VP</td><td>Catherine Hsing</td></tr>
<tr><td>VP</td><td>Rachel Lin</td></tr>
<tr><td>VP</td><td>Jack Lin</td></tr>
<tr><td>AVP</td><td>Phil Su</td></tr>
</table>

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$ 1,000,000		
NT$1,000,001 ≤ X < NT$2,000,000	Phil Su	Phil Su
NT$2,000,001 ≤ X < NT$3,500,000		
NT$3,500,001 ≤ X < NT$5,000,000	Wei-Jin Huang Charlie Tseng Catherine Hsing Rachel Lin Jack Lin	Wei-Jin Huang Catherine Hsing Rachel Lin Jack Lin
NT$5,000,001 ≤ X < NT$10,000,000	Alan Hwang	Alan Hwang Charlie Tseng
NT$10,000,001 ≤ X < NT$15,000,000		
NT$15,000,001 ≤ X < NT$30,000,000		
NT$30,000,001 ≤ X < NT$50,000,000		
NT$50,000,001 ≤ X < NT$100,000,000		
X ≥ NT$100,000,000		
Total		

Note 1: The names of CEO and VPs, etc. 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, etc., 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, etc. 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, etc. are put in the range according to their total payment by The Company.

Note 7: The names of CEO and VPs, etc. 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, etc. from non-consolidated investees or the parent company should be disclosed clearly.

b. If CEO and VPs, etc. has received compensation from non-consolidated investees or the parent company, 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 or the parent company ".

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

Note 10: Mr. Wei-Jin Huang discharged from CEO on 12 July, 2019. His compensation has been proportionally included in the above table.

* 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, 2020; 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	Alan Hwang	0	909	909	0.14%
	CEO in China	Charlie Tseng				
	VP	Catherine Hsing				
	CFO	Rachel Lin				
	VP	Jack Lin				
	AVP	Phil Su				
	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, etc. have received employee bonuses (including stocks and cash), they should be re-listed in this table in addition to the above tables.

Note 4: Mr. Wei-Jin Huang discharged from CEO on 12 July, 2019. He no longer received Employees' Bonus in 2019.

3.3.7 Compare and illustrate the ratio of the total compensation paid to the Directors, Supervisors, CEO, and VPs, etc. 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, etc. from the Company and all consolidated entities to the net income of the financial statements

Unit: NT$ thousands

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, etc.	28,970	17.74%	29,971	18.35%

Title	2019		2019	
	The Company	Ratio of Total Compensation to Net Income (%)	All Consolidated Entities	Ratio of Total Compensation to Net Income (%)
Directors	11,118	1.68%	11,118	1.68%
CEO & VPs, etc.	30,995	4.69%	31,952	4.84%

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	7	0	100	
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	7	0	100	

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. 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 Assets and Other Operational Procedures in the Internal Control System of the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
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 of Chin-Poon Holdings Cayman Limited	Approved with no objection from all directors and independence directors.
		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.
May 13, 2019	Third Meeting in 2019	1. 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.
		2. Shareholder Loan Application of US$ 8 Million to the Company by Draco PCB Public Company 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$ 16 million by ANZ for Draco PCB Public Company Limited.	Approved with no objection from all directors and independence directors.
		4. Amendment of the Operational Procedures for Acquisition and Disposal of Assets.	Approved with no objection from all directors and independence directors.
Jun. 27, 2019	Fourth Meeting in 2019	1. Election of Vice Chairperson.	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.
Jul. 12, 2019	Fifth Meeting in 2019	1. Relevant Matters of the 2019 Cash Dividend Distribution such as the Ex-Dividend Date.	Approved with no objection from all directors and independence directors.

		2. Change of CEO of the Company.	Approved with no objection from all directors and independence directors.
		3. Change of CEO of Chin-Poon (Changshu) Electronics Co., Ltd..	Approved with no objection from all directors and independence directors.
Aug. 13, 2019	Sixth Meeting in 2019	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.
		4. Amendments of the Internal Control System of the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
		5. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
Nov. 13, 2019	Seventh Meeting in 2019	1. Report on the 2019 Q3 Consolidated Financial Statements of the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
		2. Amendments of the Statutes of Association for Audit Committee.	Approved with no objection from all directors and independence directors.
		3. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in the Company and its Subsidiaries.	Approved with no objection from all directors and independence directors.
		4. Approval of the 2020 Annual Audit Plan.	Approved with no objection from all directors and independence directors.
		5. Loan Renewal of US$ 10 Million for Chin-Poon (Changshu) Electronics Co.,	Approved with no objection from all directors and independence directors.

		Ltd. by Chin-Poon Holdings Cayman Limited.	
		6. The Company's Guarantee for the short-term credit line renewal of US$ 20 million by Taishin International Bank for Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independence directors.
Jan. 13, 2020	First Meeting in 2020	1. Appointment and Independence Assessment of the Company's CPAs' for 2020.	Approved with no objection from all directors and independence directors.
Mar. 20, 2020	Second Meeting in 2020	1. Business Report and Financial Statements for 2019.	Approved with no objection from all directors and independence directors.
		2. Proposal for Distribution of 2019 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 2019.	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 2019.	Approved with no objection from all directors and independence directors.
		6. Proposal for Election of New Directors	Approved with no objection from all directors and independence directors.
		7. Proposal for Releasing the Prohibition on Newly Elected Directors from Participation in Competitive Business	Approved with no objection from all directors and independence directors.
		8. Proposal of the List of the Nominated Candidates for New Directors	Approved with no objection from all directors and independence directors.
		9. Matters related to the 2019 Annual Shareholders' Meeting.	Approved with no objection from all directors and independence directors.
		10. Matters related to Acceptance of Shareholders' Proposals.	Approved with no objection from all directors and independence directors.

		11. Proposal of the Period for Accepting the Nomination of Director Candidates, the Quota of Directors to Be Elected and the Place Designated for Accepting the Roster of Director Candidates Nominated.	Approved with no objection from all directors and independence directors.
		12. Directors & Officers Liability Insurance Policy.	Approved with no objection from all directors and independence directors.
		13. Amendment of the Operational Procedures for Acquisition and Disposal of Assets.	Approved with no objection from all directors and independence directors.
		14. Amendments of the Accounting System and Related Internal Control System.	Approved with no objection from all directors and independence directors.
		15. Proposal of Cash Capital Increase for Draco PCB Public Company Limited.	Approved with no objection from all directors and independence directors.
		16. Abolishment of the Operational Procedures for Investment.	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. 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.
Mar. 20, 2020	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	Proposal for Remuneration of Directors	Each director avoided to participate in his/her own remuneration distribution case.	The directors at the meeting took turns to avoid the discussion of his/her own remuneration due to the principle of avoidance of interest.

3.4.2.3 Performance Evaluations of the Board of Directors

Cycle (Note 1)	Period (Note 2)	Scope (Note 3)	Methods (Note 4)	Evaluation (Note 5)
	It has not been implemented for 2019, so there is no result. It has been planned to be implemented since 2020.			

Note 1: It is to fill in the execution cycle of the board performance evaluation, for example, once a year.
Note 2: It is to fill in the period of the board performance to be evaluated, for example, the performance of the board of directors from January 1, 2019 to December 31, 2019.
Note 3: The scope of the evaluation includes the performance evaluation on the board as a whole, on individual directors and on functional committees.
Note 4: Evaluation methods include the internal evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.
Note 5: The evaluation includes at least the following items according to the scope:
(1) Performance evaluation on the board as a whole: at least include participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, internal control, etc.
(2) Performance evaluation on individual directors: at least include alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the

operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, internal control, etc.

(3) Performance evaluation on functional committees: participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, composition of the functional committee and election of its members, internal control, etc.

3.4.2.4 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 6 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	6	0	100	
Independent Director	Chen, Shi-Shu	6	0	100	
Independent Director	Hsu, Sung-Tsai	6	0	100	

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
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 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.
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. 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.
		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	Approved with no objection from all members of the audit committee and

		Endorsements and Guarantees.	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. 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.
		10. 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.
May 13, 2019	Third Meeting in 2019	1. 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 members of the audit committee and submitted to the board of directors for resolution.
		2. Shareholder Loan Application of US$ 8 Million to the Company by 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.
		3. The Company's Guarantee for the short-term credit line renewal of US$ 16 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.
		4. Amendment of the Operational Procedures for Acquisition and Disposal of Assets.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Jun. 27, 2019	Fourth Meeting in 2019	1. Election of Vice Chairperson.	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$ 7 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.
Aug. 13, 2019	Fifth Meeting in 2019	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.
		4. Amendments of the Internal Control System 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.
		5. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in 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.
Nov. 13, 2019	Sixth Meeting in 2019	1. Amendments of the Statutes of Association for Audit Committee.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Amendment of the Rules on the Division of Responsibility and the Architecture of Authority in 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.
		3. Approval of the 2020 Annual Audit Plan.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. 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.
		5. The Company's Guarantee for the short-term credit line renewal of US$ 20 million by Taishin International Bank for 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.
Jan. 13, 2020	First Meeting in 2020	1. Appointment and Independence Assessment of the Company's CPAs' for 2020.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

Mar. 20, 2020	Second Meeting in 2020	1. Business Report and Financial Statements for 2019.	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 2019 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 2019.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. 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.
		5. Amendment of the Operational Procedures for Acquisition and Disposal of Assets.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		6. Amendments of the Accounting System and Related Internal Control System.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		7. Proposal of Cash Capital Increase 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.
		8. Abolishment of the Operational Procedures for Investment.	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 around 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", "Operational Procedures for Acquisition and Disposal of Assets", "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	
			Subsidiaries", "Internal Control System" and "Internal Audit System" and related laws and regulations.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?			(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 and reported the results of the performance evaluations to the Board of Directors and apply them to the remuneration of individual directors and the reference for nomination of next term? (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 implemented the performance evaluation of the board of directors in 2019, but has stipulated Procedures for the Board Performance Evaluation this year. And it will be implemented since 2020. (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. Has the Company been staffed with suitable and appropriate number of corporate governance personnel and appointed chief corporate governance officer in charge of corporate governance affairs (including but not limited to providing information required for directors and supervisors to execute their duties, assisting directors and supervisors to comply with laws and regulations, handling matters relating to board meetings and shareholders' meetings in accordance with laws and regulations, 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, assisting directors and supervisors to comply with laws and regulations, handling matters relating to board meetings and shareholders' meetings in accordance with laws and regulations, and making minutes of board meetings and shareholders' meetings, etc. The appointment of chief corporate governance officer is also being planned.	No difference except the appointment of chief corporate governance officer.
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	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	(1) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
governance status?			all listed companies in accordance with laws and regulations regularly and irregularly. The website of the Company is www.cppcb.com.tw.	
(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.)?			(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.
(3) Does the Company announce its annual financial statements within two months after the end of the fiscal year, and announce its financial statements for the first, second and third quarters and its monthly revenue well in advance of the required deadline?			(3) Due to the characteristics of the industry, it is not easy to make early declarations, but all declarations are completed within the reporting period.	(3) 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	No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			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 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 have corrected them in the 2019. ● For the absence of independent directors and the audit committee, we have corrected them in the 2017 shareholders' meeting. ● Regarding whether 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
Independent Director	Chen, Shi-Shu	July 24, 2019	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Director	Tseng, Wen-Yu	Aug. 02, 2019	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Independent Director	Chen, Shi-Shu	July 17, 2019	Securities and Futures Institute	Seminar on law compliance of securities transactions for insiders of listed and unlisted public company	3
Director	Tung, Hsiao-Hung	Aug. 02, 2019	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	Aug. 02, 2019	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	Aug. 02, 2019	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	Sep. 9~10, 2019	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	Sep. 10, 2019	Securities and Futures Institute	Internal auditors' practice on compliance with laws and regulations	6
Internal Auditing Officer	Candy Sung	Nov. 1, 2019	Institute of Internal Auditors – Chinese Taiwan	Internal audit guidelines for compliance with laws and regulations	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, 2020

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	9	10	
Independent Director	Chen, Shi-Shu		V		V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsu, Sung-Tsai			V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Chen, Hsiang-Sheng			V	V	V	V	V	V	V	V	V	V	V	0

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) 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, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.

(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, who is related to anyone of the managers in the first subparagraphs or to anyone of the persons in the preceding two 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 or who has designated a natural person as its proxy to exercise, on its behalf, the duties of the Company's director in compliance with Paragraph I and Paragraph II of Article 27 of Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in the different entities at the same time in compliance with the laws and regulations.
(6) Not a director, supervisor, or employee of a company which is controlled by a person who holds more than 50 percent of the Company's directors or voting shares. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.
(7) Not a director, supervisor, or employee of a company which is controlled by a person who is the Company's chairperson, CEO or his/her spouse. Not applicable in cases where the person is an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in some of the preceding entities at the same time in compliance with the laws and regulations.
(8) 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. Not applicable in cases where the person is an independent director of the specified company or institution which holds more than 20% but less than 50% of the Company's outstanding shares and is also an independent director of the Company, its parent company, any of its subsidiaries, or any of its parent company's subsidiaries, who is appointed as an independent director in in some of the preceding entities at the same time in compliance with the laws and regulations.
(9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing, commercial, legal, financial, accounting services or consultation, the accumulative expenditure for the services except auditing in the recent two years are less than NT$ 500,000, to the Company or to any affiliate of the Company, or a spouse thereof. Not applicable in cases where the person is a member of the compensation committee, the public tender offer review committee, or the special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations..
(10) 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 4 meetings (A) for the most recent fiscal year (2019). 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	4	0	100	
Member	Chen, Shi-Shu	4	0	100	
Member	Hsu, Sung-Tsai	4	0	100	

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) 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. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies in accordance with the principle of materiality?	V		The Company has conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies in accordance with the principle of materiality.	No difference.
2. 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?	V		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.	No difference.
3. Environmentally Sustainable Development (1) Has the Company established a suitable environmental management system based on its industrial characteristics? (2) Is the Company committed to improving the utilization efficiency of various resources and using renewable materials with low environmental impact?	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.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to address climate related issues? (4) Has the Company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies on energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?				(3) No difference. (4) No difference.
4. 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) Does the Company formulate and implement reasonable employee welfare system (including compensation, vacations, and other benefits), and appropriately reflect its operating performance or results in employee compensation? (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 an effective career development training program for employees? (5) Does the Company comply with relevant regulations and international standards on	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". (5) The customers of the Company are electronic manufacturers, not consumers. The Company	(1) No difference. (2) No difference. (3) No difference. (4) No difference。 (5) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
customer health and safety, customer privacy, marketing and labeling of its products and services, and has it formulated relevant policies and complaint procedures to protect consumer rights?			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. The Company has been complying with relevant regulations and international standards for the marketing and labeling of products and services.	
(6) Does the Company have a supplier management policy requiring suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or human rights in the workplace, and how is it implemented?			(6) 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. The Company's contracts with major suppliers does not include termination clauses for the 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	(6) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			any time. In the future, we will add a termination clause combined with CSR policies in our new contracts with suppliers.	
5. Does the Company refer to international standards or guidelines for the preparation of corporate social responsibility reports and other reports that disclose non-financial information about the Company? Did you obtain a third-party certification agency's opinion on the previous report?	V		Planning is currently underway. The Company has not yet engaged a third-party certification agency to conduct the review.	No difference。
6. 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.				
7. 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.				

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 (1) Has the Company formulated the ethical corporate management policy that has been approved by the board of directors, and stated in the regulations and external documents the policies and practices of ethical corporate management? Do the board and senior management demonstrate their commitment to actively implement the ethical corporate management policy? (2) Has the Company established an assessment mechanism against unethical conduct to regularly analyzes and evaluates on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs to prevent them, which at least covers the preventive measures	V		(1) The Company has formulated the ethical corporate management policy that has been approved by the board of directors, and stated in the regulations and annual reports the policies and practices of ethical corporate management. And the board and senior management have demonstrated their commitment to actively implement the ethical corporate management policy as well. (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,	(1) No difference. (2) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
stipulated in the second paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			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 we have been implementing the concepts of employees' integrity and self-discipline in various operational procedures and training programs.	
(3) Does the Company clearly specify the operational procedures, code of conduct, a well-defined disciplinary and appeal system in the prevention programs to prevent unethical conduct, and effectively implement them, and regularly review their adequacy and effectiveness?			(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. And the Company reviews their adequacy and effectiveness on a regular basis.	(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 conduct in their contracts? (2) Does the Company set up an office under the board of directors, which is dedicated to promoting the Company's ethical corporate management, and reports its policy, plans, supervision and implementation directly to the board of directors on a regular basis (at least once a year)?	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. And the internal audit unit reports regularly (at least once a year) to the board of directors on its plans to prevent unethical conduct and oversee its implementation.	(1) No difference. (2) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
(3) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels and implement such policies properly?			(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.	(3) No difference.
(4) Has the Company established an effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct? Has the internal audit unit devised relevant audit plans by being based on the results of assessment of the risk of involvement in unethical conduct, and used it to examine accordingly the compliance with the prevention programs? Or has the internal audit unit instead of by itself engaged a certified public accountant to carry out the audit?			(4) The accounting system of the Company is based on Company Act, Securities Exchange Act, Business Entity Accounting Act, 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.	(4) No difference。
(5) Does the Company provide internal and external training programs on ethical corporate management 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.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
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? (2) Does the Company establish standard operational procedures for investigating the reports of the whistleblowers, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms? (3) Does the Company adopt proper measures to prevent whistleblowers from retaliation for 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 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.	(1) No difference. (2) No difference. (3) No difference.
4. Enhanced Information Disclosure Does the Company disclose its code of practice for ethical corporate management as well as information about	V		The Company has disclosed internal regulations and operational procedures on the Company's	No difference.

<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>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?</td><td></td><td></td><td>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.</td><td></td></tr>
<tr><td colspan="5">5. If the Company has established its code of practice for ethical corporate management according to “Ethical Corporate Management Best Practice 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, where the result of such punishment and disciplinary actions could have a material effect on shareholder equity or securities prices, 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 25, 2020

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
CEO	Huang, Wei-Jin	1980/08/01	2019/07/12	To improve corporate governance and to meet the needs of group operations

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 25, 2020

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
CEO	Huang, Wei-Jin	1980/08/01	2019/07/12	To improve corporate governance and to meet the needs of group operations

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	01/01/2019~12/31/2019	

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	5,050		5,050
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	5,050					0	01/01/2019 ~ 12/31/2019	

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

Title	Name	2019		01/01/2020 ~ 04/29/2020	
		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		820,000		700,000
Director	Lin, Pi-Chi	(252,000)		(36,000)	
Director	Tseng-Liu, Yu-Chih				
Director	Lai, Hwei-Shan				
Director	Tseng, Wen-Yu				
Independent Director	Chen, Hsiang-Sheng	50,000		(18,000)	
Independent Director	Chen, Shi-Shu				
Independent Director	Hsu, Sung-Tsai				
CEO	Huang, Wei-Jin				
VP	Charlie Tseng				
VP	Alan Hwang				
VP	Catherine Hsing				
VP	Rachel Lin				
VP	Jack Lin				
AVP	Phil Su				
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 25, 2020

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	22,813,000	5.74							
Huang, Wei-Jin	13,238,409	3.33	2,642	0.00					
Tseng-Liu, Yu-Chih	9,603,279	2.42	1,322,422	0.33					
Jih Sun Securities Co., Ltd. (its representative: James C.Tang)	9,533,000	2.40							
HSBC in custody for Global Emerging Markets Customized Equity of Eastspring Investments	9,197,000	2.31							
Citibank Taiwan in custody for Norges Bank	8,143,831	2.05							
Lin, Pi-Chi	7,750,649	1.95	2,591,839	0.65					
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, 2020

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%
Draco PCB Public Co. Ltd	417,043,785	99.65%			417,043,785	99.65%

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 25, 2020
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 25, 2020

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	3	86	33,030	166	33,286
Shareholding	763,000	31,599,000	22,067,585	236,442,523	106,623,312	397,495,420
Holding Percentage (%)	0.19%	7.95%	5.55%	59.48%	26.83%	100.00%

4.1.3 Distribution Profile of Ownership

Par Value NT$ 10

April 25, 2020

Ownership of a Single Shareholder (Unit: Share)	Number of Shareholders	Subtotal Ownership	Subtotal Ownership (%)
1 ~ 999	11,649	1,424,812	0.36%
1,000 ~ 5,000	15,619	34,448,599	8.67%
5,001 ~ 10,000	2,964	23,278,922	5.86%
10,001 ~ 15,000	994	12,534,516	3.15%
15,001 ~ 20,000	621	11,466,019	2.88%
20,001 ~ 30,000	495	12,660,277	3.19%
30,001 ~ 40,000	232	8,263,362	2.08%
40,001 ~ 50,000	161	7,494,304	1.89%
50,001 ~ 100,000	277	19,342,743	4.87%
100,001 ~ 200,000	132	18,905,047	4.76%
200,001 ~ 400,000	54	15,424,391	3.88%
400,001 ~ 600,000	20	10,025,932	2.52%
600,001 ~ 800,000	17	11,608,783	2.92%
800,001 ~ 1,000,000	8	7,272,661	1.83%
1,000,001 and more	43	203,345,052	51.16%
Total	33,286	397,495,420	100.00%

4.1.4 Major Shareholders

April 25, 2020
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	22,813,000	5.74%
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)	9,533,000	2.40%
HSBC in custody for Global Emerging Markets Customized Equity of Eastspring Investments	9,197,000	2.31%
Citibank Taiwan in custody for Norges Bank	8,143,831	2.05%
Lin, Pi-Chi	7,750,649	1.95%
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	2018	2019	01/01/2020 ~ 03/31/2020 (Note 8)
Market Price Per Share (Note 1)	Highest Market Price		59.60	43.80	34.5
	Lowest Market Price		31.85	29.70	18.7
	Average Market Price		42.49	34.63	27.77
Net Worth Per Share (Note 2)	Before Distribution		38.86	39.59	39.33
	After Distribution		38.86	(Note 2)	(Note 2)
Earnings Per Share	Weighted Average Shares (thousand shares)		397,495	397,495	397,495
	Earnings Per Share (Note 3)		0.41	1.66	0.06
Dividends Per Share	Cash Dividends		0.50	(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)		103.63	20.86	115.71
	Price/Dividend Ratio (Note 6)		84.98	(Note 2)	(Note 2)
	Cash Dividend Yield (Note 7)		1.18	(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 2019 Profits and Retained earnings

Cash Dividend:

It is proposed to allocate NT$ 397,495,420 from the 2019 profits and the retained earnings and to distribute a cash dividend of NT$ 1 per share to the shareholders. The total amount of cash dividend is NT$ 397,495,420.

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:

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."

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$ 16,239,434 and the proposed amount of the remuneration of directors in cash is NT$ 4,680,000. 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 2019 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 2019 parent company only financial statements of the Company:

There was no employees' stock bonus from the 2019 profit.

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

It is NT$ 1.66.

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	5.312,959	5.312,959	0	-
2. Directors' Remuneration	2,680,000	2,680,000	0	-
B.Earnings Per Share on 2017				
Earnings Per Share in the income statement	0.41	0.41	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$ 5.312,959 and NT$ 2,680,000. 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 2018 financial statements of the Company.

4.1.9 Share Repurchases

4.1.9.1 Share Repurchases Already Completed

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 Ratio of the Number of Shares that Were Repurchased to the Planned Number of Shares to Be Repurchased	100%
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.

4.1.9.2 Share Repurchases Still in Progress

None.

4.1.10 Implementation of the Resolutions of the Shareholders' Meeting

Date	Resolutions	Implementation
June 27, 2019	Resolution for Distribution of 2018 Profits (a cash dividend of NT$ 0.5 per share)	The Company has set the ex-dividend date at August 5, 2019 and has paid the cash dividends on September 2, 2019.
	To amend the Articles of Incorporation of the Company	The Company has implemented the amended one.
	To amend the Operational Procedures for Loaning of Company Funds	The Company has implemented the amended one.
	To amend the Operational Procedures for Endorsements and Guarantees	The Company has implemented the amended one.
	To amend the Operational Procedures for Derivatives Transactions	The Company has implemented the amended one.
	To amend the Operational Procedures for Acquisition and Disposal of Assets	The Company has implemented the amended one.

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 2019.

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 2019 is estimated to be NT$1.22 trillion. And the printed circuit board is the largest electronic component product among them. In 2019, the production value of Taiwan's PCB makers was NT$ 662.4 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$ 662.4 billion in 2019, an increase of 1.7% 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

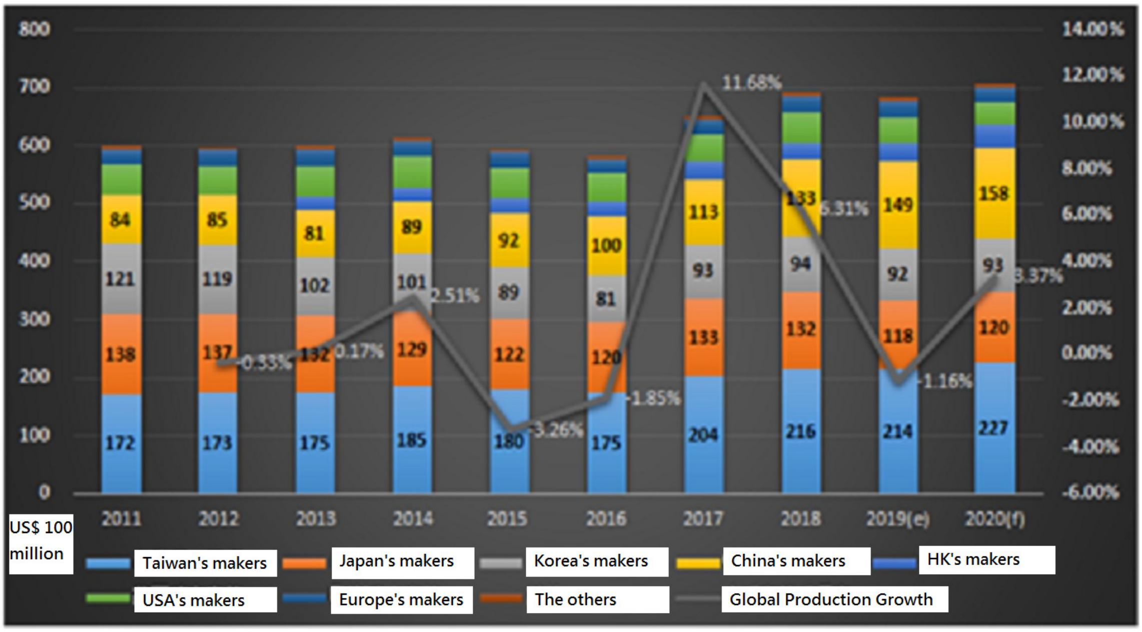
World PCB Production* by Region (US$ Million)

Region	2017	2018	YoY	2019F	YoY
America	3,037	3,158	4.0%	3,174	0.5%
Germany	960	994	3.5%	939	-6.0%
Other Europe	1,385	1,257	1.2%	1,270	1.0%
Africa & Middle East	142	143	0.0%	145	1.4%
West Total	**5,524**	**5,552**	**3.1%**	**5,528**	**0.4%**
China	37,200	40,510	8.9%	39,880	-1.5%
Taiwan	7,685	7,780	1.2%	7,690	-1.2%
S. Korea	7,215	7,515	4.1%	7,214	-4.0%
Japan	5,625	5,654	0.5%	5,796	-1.2%
Thailand	2,980	3,132	5.1%	3,160	0.9%
Vietnam	2,620	2,704	3.2%	2,905	3.7%
Other Asia	1,738	1,668	-4.0%	1,700	1.9%
Asia Total	**65,063**	**68,963**	**6.0%**	**68,345**	**-0.9%**
World Total	**70,587**	**74,515**	**5.6%**	**73,873**	**-0.9%**

* *Note; Production includes assembly by PCB makers, particuarly FPC*

Source: N.T. Information (Oct. 2019)

Figure 2 Global PCB Production Value by Makers' Nationality



Source: TPCA and IEK (Feb. 2020)

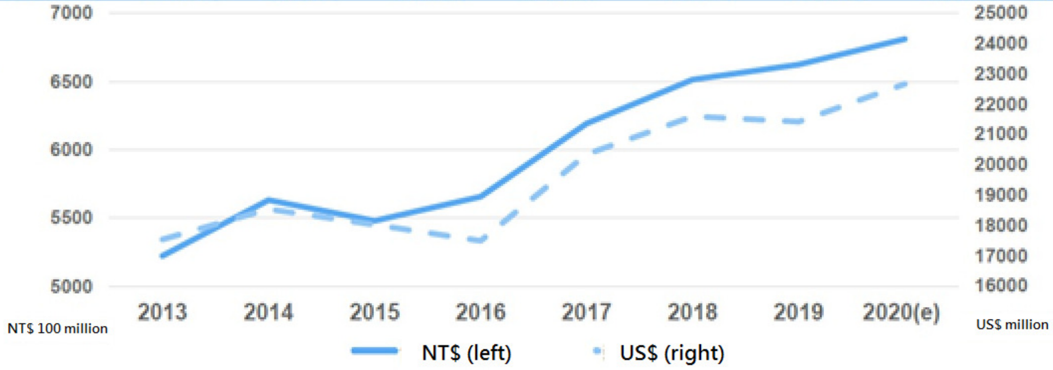
Since 2000, many PCB makers in the United States and Europe have closed their production. Due to the price and quality advantages, Taiwan' PCB makers have been taking business from international manufacturers who consider cost reduction under the recession. In particular, the huge demand for consumer 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 64% of the global production value in 2019. 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 production value was US$ 68.3 billion in 2019, down 1.16% from 2018.

Looking forward to this 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 be US$ 70.6 and grow by 3.37% in 2020. IEK estimates that the Taiwan PCB's production value in 2020 is expected to reach NT$ 681.1 billion with a growth rate of 2.80%. 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	2020(e)
NT$ 100 million	5,222	5,631	5,749	5,656	6,192	6,514	6,624	6,811
Y/Y (NT)	1.32%	7.83%	2.10%	-1.62%	9.5%	5.2%	1.7%	2.8%
US$ million	17,541	18,541	18,025	17,495	20,348	21,601	21,426	22,667
Y/Y (US)	0.78%	5.71%	-2.78%	-2.93%	16.3%	6.2%	-0.8%	5.8%
FX rate	29.77	30.37	31.90	32.33	30.43	30.16	30.92	30.05

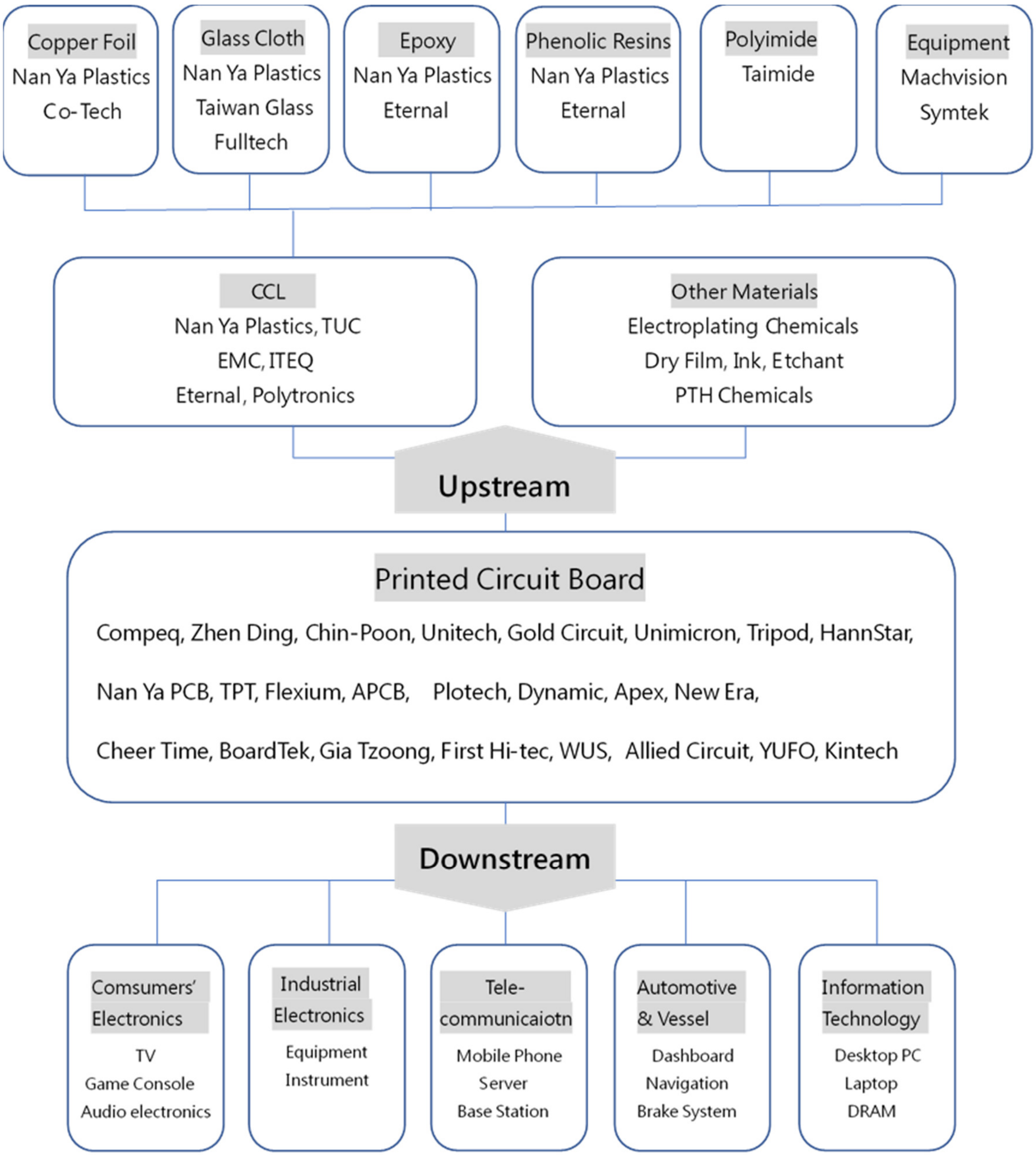


Source: TPCA & IEK (Feb. 2020)

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 , 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.

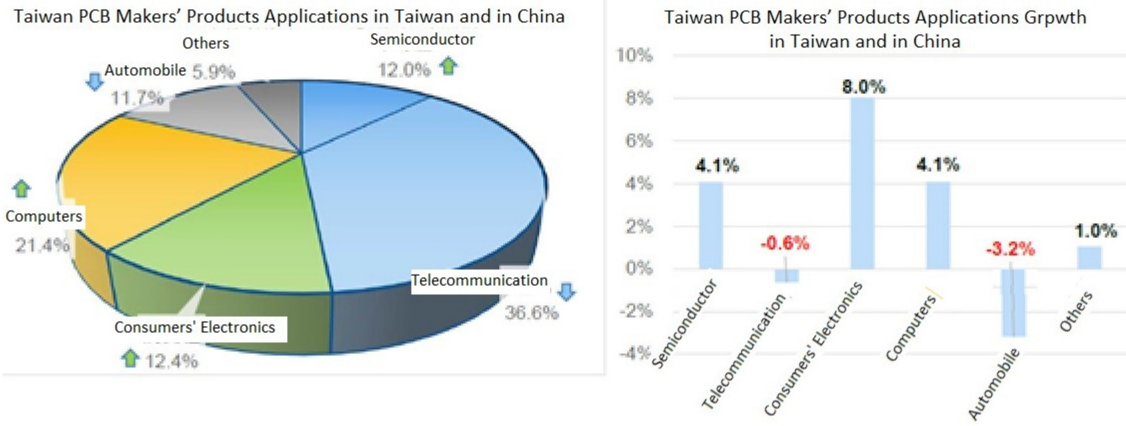
Figure 1 The Weights of Various PCB Products Manufactured by Taiwan PCB Makers in Taiwan and in China

Source: TPCA & IEK (Feb. 2020)

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 2019 statistics of TPCA and IEK telecommunication ranked first in the application of PCBs, accounting for 36.6%; computers ranked second, accounting for 21.4%; consumers electronics ranked third, accounting for 12.4%; semiconductor ranked fourth, accounting for 12.0%; automobile electronics ranked fifth, accounting for 11.7%. The top five applications, which accounted for a high proportion of 94% in 2019, 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 telecommunication, computers and consumers electronics accounted for 70.4% of the total PCB output value, semiconductor substrates accounted for 12.0%, and automotive-related boards accounted for 11.7%. 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. 2020)

5.1.3 Technology and R&D Overview

5.1.3.1 The research and development expenses invested by the Company in 2019 and 2020 up to the date of publication of the annual report are NT$ 104,680 thousand and NT$ 21,304 thousand respectively.

5.1.3.2 Results of R&D in 2019

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. Partial thermal management PCB – AIN
G. Development of Rigid-flex
H. Development of Cavity PCB
I. Assisting overseas factories to upgrade their capabilities
J. Other projects for improving manufacturing

5.1.3.3 Future R&D plan and R&D Budget

- Future R&D plan:
  - Development of middle/high current carrying PCBs
  - Development of partial heat dissipation PCBs
  - Development of semi-flex with 3 flex layers
  - Development of rigid flex – flex tail & unbonded stack-up
  - 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 robot arm for precise handling and automatic process flow of production

- R&D Budget:
  The R&D budget is NT$ 103,386 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
2018	129,845	0.64%
2019	104,680	0.59%
As of March 31, 2020	21,304	0.52%

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 99.65% in 2019. 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	2019		2018		2017	
Region	Amount	%	Amount	%	Amount	%
America	3,890,887	21.80%	4,392,241	21.77%	5,485,494	23.20%
Europe	6,197,480	34.72%	7,564,435	37.50%	8,681,681	36.72%
Asia	5,793,223	32.46%	6,115,888	30.32%	7,177,285	30.35%
Others	1,966,908	11.02%	2,101,324	10.41%	2,301,151	9.73%
Total	17,848,498	100.00%	20,173,888	100.00%	23,645,611	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 2019 was about 2.69%. (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 3.37% in 2020, with an output value of US$ 70.6 billion. They also estimate that the Taiwan PCB's output value in 2020 is expected to reach NT$ 681.1 billion, with a growth rate of 2.80%.

5.2.1.4 The Estimated Sales Volume of the Company

Unit: M^2

Business Objectives	2020
Product	Estimated Sales Volume (M^2)
Single-sided	1,888,851
Double-sided and Multilayer	4,590,977
Total	6,479,828

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 in Southeast Asia and South Asia

In 2019, our ownership of Draco, our subsidiary in Thailand, has increased to 99.65%. 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 from 2018 on, 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 2019	2019	Achievement Rate
Operating Income Ratio	Operating Income to Operating Revenue	9.17%	1.67%	18.21%
EBITDA (NT$ thousand)	Earnings before Interest, Tax, Depreciation and Amortization	3,390,839	1,958,495	57.76%

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.

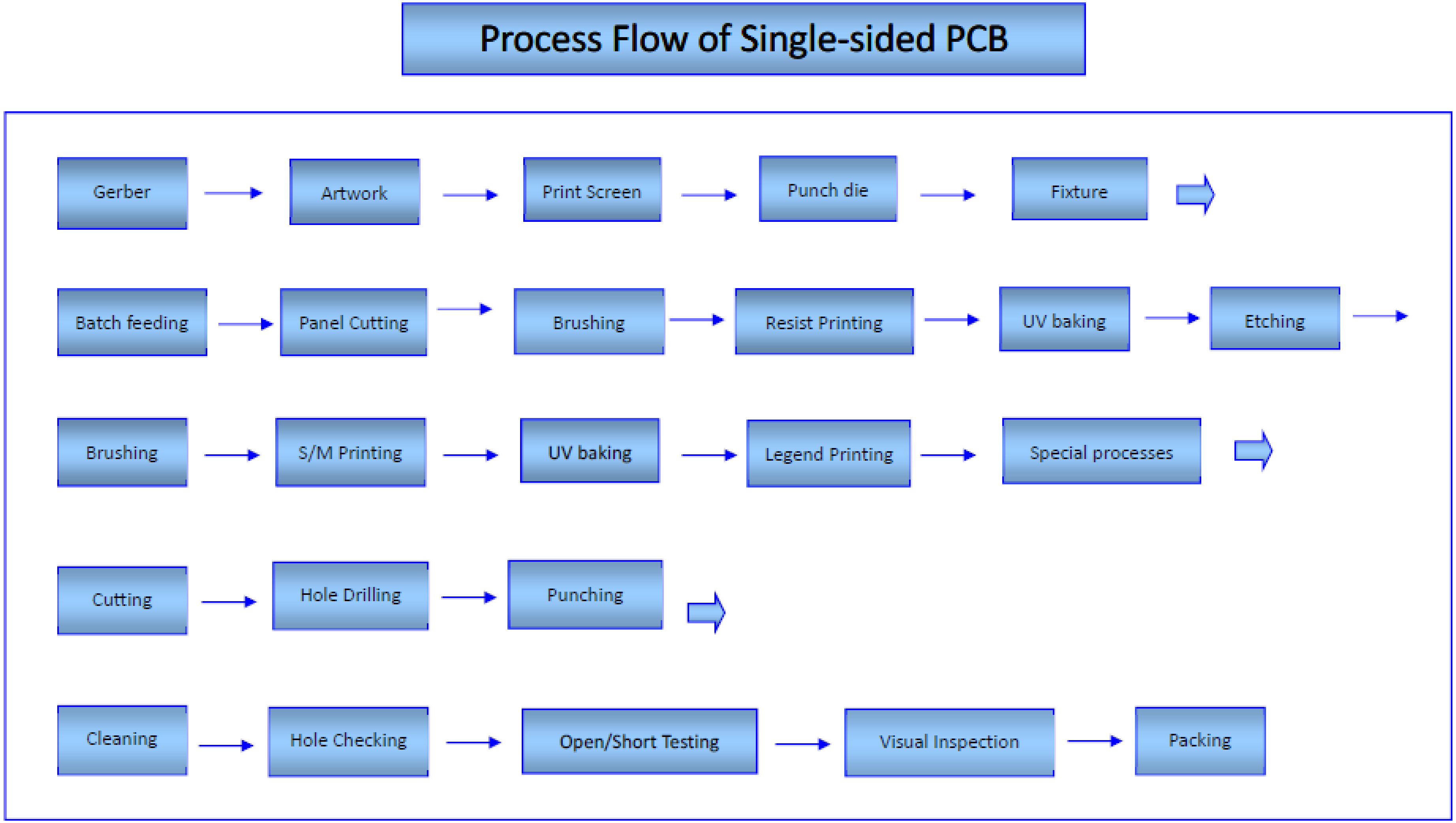
(2) Double-sided and multi-layer printed circuit boards:

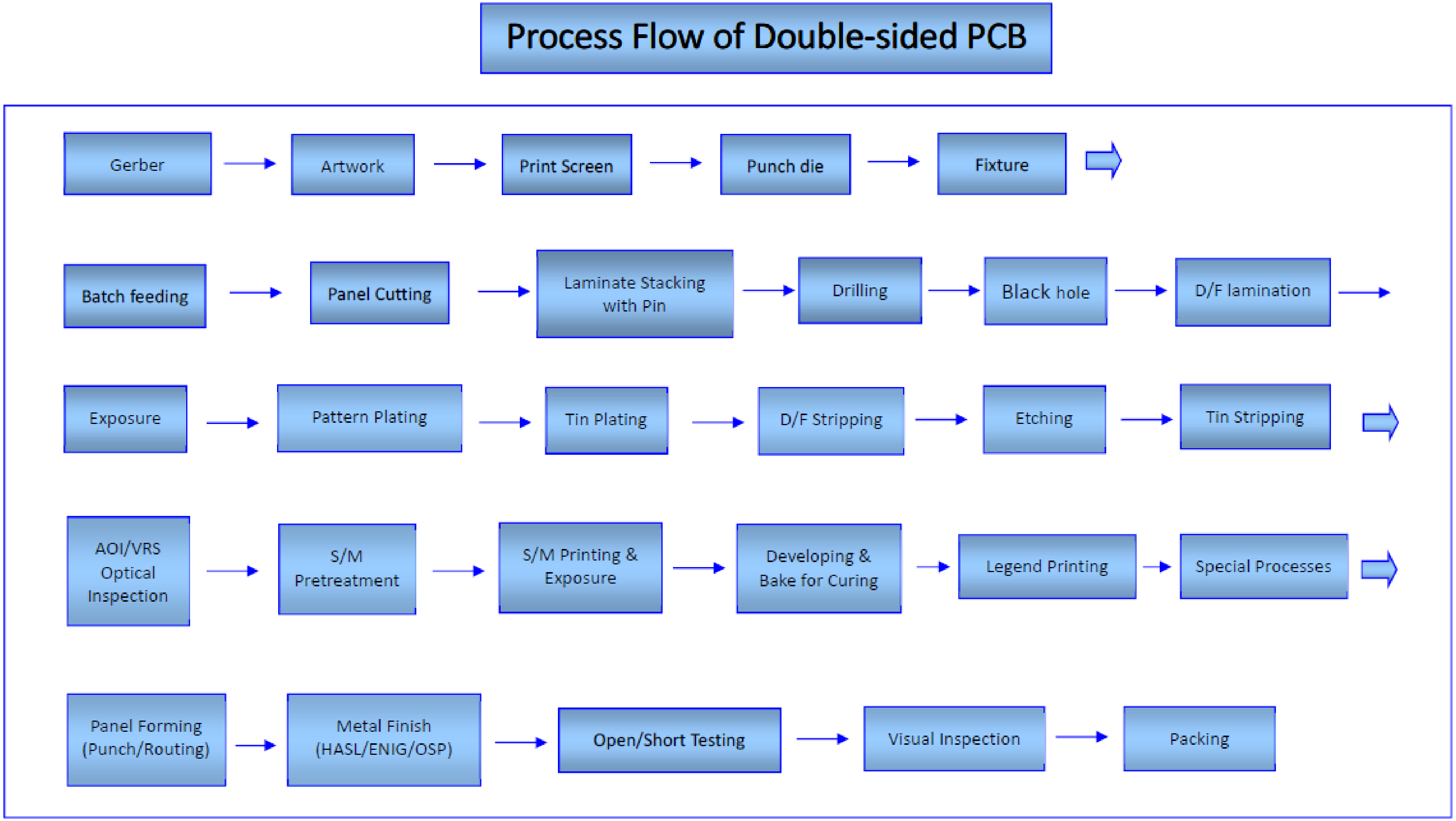
a. Consumers electronics: video camera, car audio, CD-Player, TV game consoles, high-end power supply, industrial control panel, car dashboard, uninterruptible power system, etc.

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

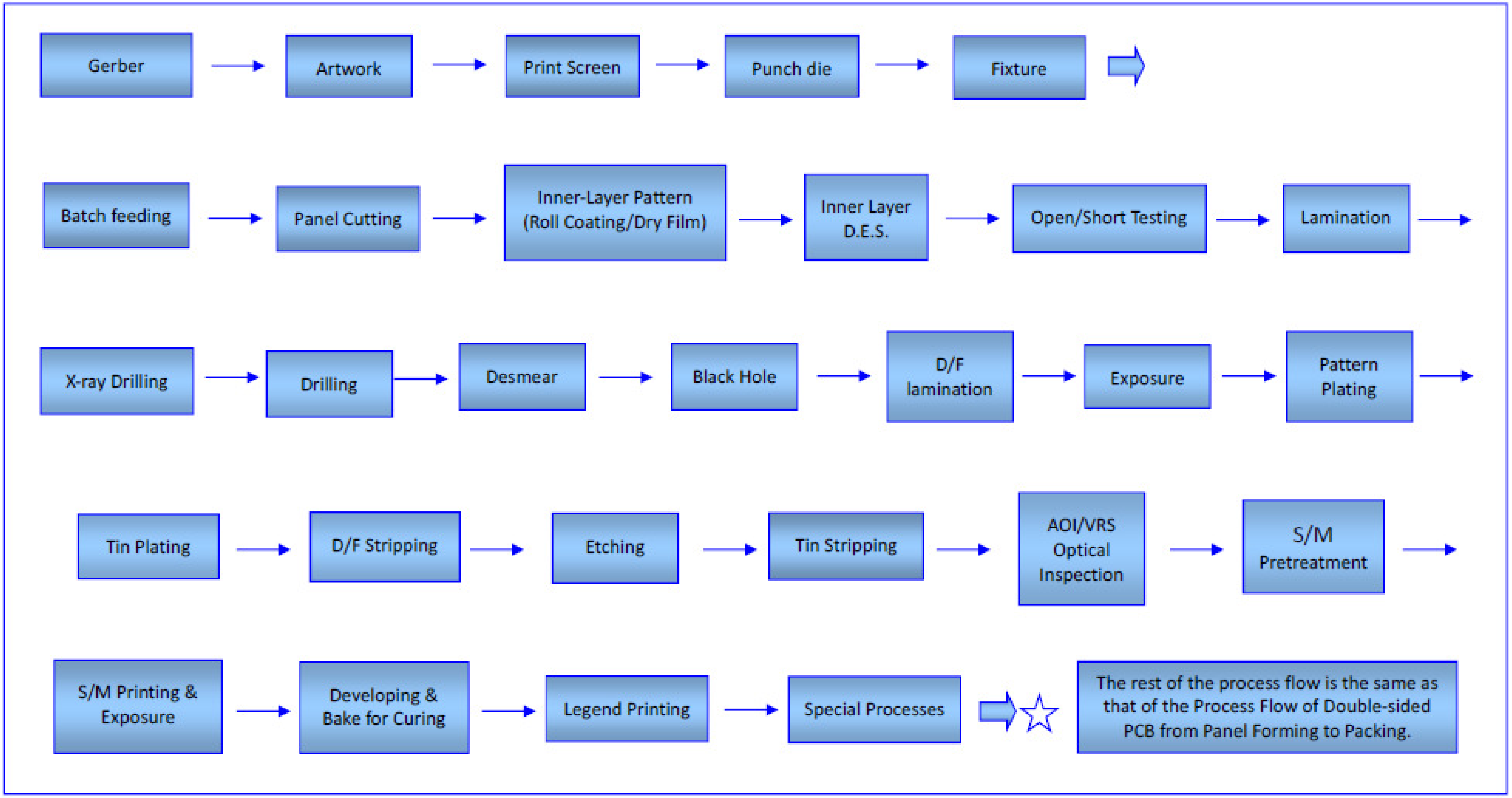
c. Computers: high-end monitors, high-end terminals, printers, graphics cards, sound cards, network cards, video cards, scanners, CD players, laptops, etc.

5.2.2.2 Manufacturing Processes




Process Flow of Double-sided PCB
Gerber
Artwork
Print Screen
Punch die
Fixture
Batch feeding
Panel Cutting
Laminate Stacking with Pin
Drilling
Black hole
D/F lamination
Exposure
Pattern Plating
Tin Plating
D/F Stripping
Etching
Tin Stripping
AOI/VRS Optical Inspection
S/M Pretreatment
S/M Printing & Exposure
Developing & Bake for Curing
Legend Printing
Special Processes
Panel Forming (Punch/Routing)
Metal Finish (HASL/ENIG/OSP)
Open/Short Testing
Visual Inspection
Packing

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	2018				2019				01/01/2020 ~ 03/31/2020 (Note2)			
Rank	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party
1	Nan Ya Plastics	1,304,780	16.24%	No.	Nan Ya Plastics	1,106,913	17.07%	No.	Nan Ya Plastics	274,754	17.83%	No.
2	Nanya Electron Material Kunshan Company	938,369	11.68%	No.	Nanya Electron Material Kunshan Company	729,214	11.24%	No.	Nanya Electron Material Kunshan Company	176,930	11.48%	No.
	Others	5,789,952	72.08%		Others	4,649,535	71.69%		Others	1,089,096	70.69%	
	Total	8,033,101	100.00%		Total	6,485,662	100.00%		Total	1,540,780	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 enough 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	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Single-sided	2,997,602	2,993,392	4,185,463	3,226,553	2,468,222	3,718,532
Double-sided & Multilayer	4,293,604	3,422,654	13,602,725	4,430,698	3,088,937	11,791,143
Total	7,291,206	6,416,046	17,788,188	7,657,251	5,557,159	15,509,675

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	2018				2019			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Single-sided	51,245	128,935	2,858,376	4,728,155	37,691	109,118	2,405,368	3,917,719
Double-sided & Multilayer	59,347	466,552	3,368,448	14,850,246	47,152	396,452	3,041,682	13,425,209
Total	110,592	595,487	6,226,824	19,578,401	84,843	505,570	5,447,050	17,342,928

5.3 Employees' Data of the Last Two Years

Year		2018	2019	01/01/2020 ~ 03/31/2020 (Note)
Number of employees		8,065	8,250	7,727
Average age		31.87	32.63	33.11
Average Seniority		4.18	4.27	4.67
Education	Ph.D.	1	1	1
	Master	89	86	87
	Bachelor	1,905	1,885	1,859
	High School	4,304	4,412	4,216
	Others	1,766	1,866	1,564

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

	2019	01/01/2020 ~03/31/2020
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$ 6,124,000 (Note 1)	NT$ 94,500
Remark	Fines for violation of Fire regulations, Air Pollution Control Act, Water Pollution Control Act and Toxic Chemical Substances Control Act, etc.	Fines for violation of Water Pollution Control Act.

Note 1. The fine of 2019 was a postponed fine imposed by the Department of Environmental Protection, Taoyuan for an accident happened on December 24, 2016. One of our supplier's truck inadvertently broke our storage tank of copper and its compounds (C-0110) on December 24, 2016, which resulted in a waste water spill.

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$ 35,923 thousand in 2020 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$ 4,490 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	8	278	67.5	240,300
2. trainings for different levels of managers	28	412	153	53,550
3. trainings for different functions	4,920	59,040	5,717	2,000,950
4. special skills trainings	109	282	1,620	826,056
5. orientation programs for new employees	490	1,205	3,920	572,320
Total	5,555	61,217	11,477.5	3,693,176

(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) 2015	2016	2017	2018	2019	01/01/2020 ~ 03/31/2020 (Note 3)
Current Assets		14,750,952	15,261,056	15,225,751	14,306,924	12,906,391	12,008,653
Property, Plant and Equipment (Note 2)		8,948,615	8,372,088	7,766,272	7,117,745	7,863,012	7,659,593
Intangible Assets		0	0	0	0	0	0
Other Assets (Note 2)		775,433	1,752,035	2,237,363	1,731,165	2,335,024	2,979,857
Total Assets		24,475,000	25,385,179	25,229,386	23,155,834	23,104,427	22,648,103
Current Liabilities	Before Distribution	7,880,617	8,319,220	8,372,807	7,047,242	6,325,895	5,978,336
	After Distribution	6,847,129	7,047,235	7,478,442	6,848,494	Note 4	Note 4
Noncurrent Liabilities		796,972	857,882	670,683	647,120	1,041,234	1,036,046
Total Liabilities	Before Distribution	8,677,589	9,177,102	9,043,490	7,694,362	7,367,129	7,014,382
	After Distribution	7,644,101	7,905,117	8,149,125	7,495,614	Note 4	Note 4
Equity Attributable to Shareholders of the Parent		15,290,593	16,136,250	16,171,605	15,448,041	15,735,751	15,632,675
Share Capital		3,974,954	3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus		1,574,389	1,568,318	1,568,318	1,568,318	1,578,800	1,578,800
Retained Earnings	Before Distribution	9,143,407	10,520,610	10,757,737	10,046,949	10,532,226	10,557,51
	After Distribution	8,109,919	9,248,625	9,863,372	9,848,201	Note 4	Note 4
Other Equity		597,843	72,368	(129,404)	(142,180)	(350,229)	(478,590)
Treasury Stock		0	0	0	0	0	0
Noncontrolling Interests		506,818	71,827	14,291	13,431	1,547	1,046
Total Equity	Before Distribution	15,797,411	16,208,077	16,185,896	15,461,472	15,737,298	15,633,721
	After Distribution	14,763,923	14,936,092	15,291,531	15,262,724	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 2020 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)				
		2015	2016	2017	2018	2019
Current Assets		9,438,820	10,551,929	10,011,756	8,447,888	8,654,500
Property, Plant and Equipment (Note 2)		5,139,842	5,083,884	4,730,621	3,997,508	4,129,901
Intangible Assets		0	0	0	0	0
Other Assets (Note 2)		7,388,779	7,646,892	8,720,431	8,938,895	8,988,380
Total Assets		21,967,441	23,282,705	23,462,808	21,384,291	21,772,781
Current Liabilities	Before Distribution	6,113,594	6,488,523	6,784,444	5,308,179	5,028,533
	After Distribution	5,080,106	5,216,538	5,890,079	5,109,431	Note 3
Noncurrent Liabilities		563,254	657,932	506,759	628,071	1,008,497
Total Liabilities	Before Distribution	6,676,848	7,146,455	7,291,203	5,936,250	6,037,030
	After Distribution	5,643,360	5,874,470	6,396,838	5,737,502	Note 3
Share Capital		3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus		1,574,389	1,568,318	1,568,318	1,568,318	1,578,800
Retained Earnings	Before Distribution	9,143,407	10,520,610	10,757,737	10,046,949	10,532,226
	After Distribution	8,109,919	9,248,625	9,863,372	9,848,201	Note 3
Other Equity		597,843	72,368	(129,404)	(142,180)	(350,229)
Treasury Stock		0	0	0	0	0
Total Equity	Before Distribution	15,290,593	16,136,250	16,171,605	15,448,041	15,735,751
	After Distribution	14,257,105	14,864,265	15,277,240	15,249,293	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 2020 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

Item \ Year	Last Five Years (Note 1)					01/01/2020 ~ 03/31/2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating Revenue	22,644,105	23,939,699	23,645,611	20,173,888	17,848,498	4,123,608
Gross Profit	3,333,268	4,383,850	3,290,564	2,075,859	1,394,508	275,697
Operating Income	2,063,685	3,019,123	2,035,142	895,053	298,142	4,574
Non-operating Income and Expenses	502,126	302,374	205,760	(519,984)	534,212	36,024
Profit before Tax	2,565,811	3,321,497	2,240,902	375,069	832,354	40,598
Profit (loss) from continuing operations	1,914,455	2,456,514	1,496,209	162,225	659,972	25,070
Net income (loss)	1,914,455	2,456,514	1,496,209	162,225	659,972	25,070
Other comprehensive income, net of tax	(49,520)	(537,736)	(192,772)	7,716	(184,552)	(128,647)
Total Comprehensive Income	1,864,935	1,918,778	1,303,437	169,941	475,420	(103,577)
Net Income (Loss) Attributable to Shareholders of the Parent	1,977,323	2,489,038	1,500,804	163,311	660,825	25,285
Noncontrolling Interests	(62,868)	(32,524)	(4,595)	(1,086)	(853)	(215)
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	1,960,241	1,932,729	1,308,419	170,801	476,043	(103,076)
Total Comprehensive Income (Loss) Attributable to Noncontrolling Interests	(95,306)	(13,951)	(4,982)	(860)	(623)	(501)
Earnings Per Share (Note 3)	4.97	6.26	3.78	0.41	1.66	0.06

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:

2015: NT$ 0.

2016: NT$ 0.

2017: NT$ 0.

2018: NT$ 0.

2019: 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)				
	2015	2016	2017	2018	2019
Operating Revenue	17,293,414	18,240,972	18,463,729	15,425,920	13,382,708
Gross Profit	2,575,164	3,192,061	2,237,921	1,307,784	994,049
Operating Income	1,718,462	2,246,532	1,447,232	619,681	346,391
Non-operating Income and Expenses	762,571	843,691	586,964	(361,869)	444,641
Profit before Tax	2,481,033	3,090,223	2,034,196	257,812	791,032
Profit (loss) from continuing operations	1,977,323	2,489,038	1,500,804	163,311	660,825
Net income (loss)	1,977,323	2,489,038	1,500,804	163,311	660,825
Other comprehensive income, net of tax	(17,082)	(556,309)	(192,385)	7,490	(184,782)
Total Comprehensive Income	1,960,241	1,932,729	1,308,419	170,801	476,043
Earnings Per Share (Note 2)	4.97	6.26	3.78	0.41	1.66

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:

2015: NT$ 0.
2016: NT$ 0.
2017: NT$ 0.
2018: NT$ 0.
2019: NT$ 0.

6.1.3 CPAs' Opinions in the Past Five Years

Year	CPAs	Opinions	Remark
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	
2019	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					01/01/2020 ~ 03/31/2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure	Debt Ratio (%)	35	36	36	33	32	31
	Long-term Fund to Property, Plant and Equipment Ratio (%)	179	196	210	217	200	204
Solvency	Current Ratio (%)	187	183	182	203	204	201
	Quick Ratio (%)	144	135	131	150	154	149
	Interest Coverage Ratio (times)	82	90	47	7	15	4
Operating Performance	Accounts Receivable Turnover (times)	4.94	4.87	5.00	4.95	4.89	4.59
	Average Collection Period	73.88	74.95	73.00	73.73	74.64	79.52
	Average Inventory Turnover (times)	5.86	5.46	5.09	4.68	4.87	4.83
	Accounts Payable Turnover (times)	5.63	5.61	5.54	5.25	5.71	5.75
	Average Inventory Turnover Days	62.28	66.85	71.70	77.99	74.94	75.57
	Property, Plant and Equipment Turnover (times)	2.74	2.76	2.93	2.71	2.38	2.21
	Total Assets Turnover (times)	0.93	0.96	0.93	0.83	0.77	0.72
Profitability	Return on Total Assets (%)	8	10	6	1	3	1
	Return on Equity (%)	13	15	9	1	4	1
	Pre-tax Income to Share Capital Ratio (%)	65	84	56	9	21	4
	Net Margin (%)	8	10	6	1	4	1
	Earnings Per Share (NT$)	4.97	6.26	3.78	0.41	1.66	0.06
Cash Flow	Cash Flow Ratio (%)	31	43	31	26	28	19
	Cash Flow Adequacy Ratio (%)	118	126	120	116	140	178
	Cash Reinvestment Ratio (%)	6	10	5	3	6	4
Leverage	Operating Leverage	2.5	2.56	3.39	5.86	14.27	204.07
	Financial Leverage	1.02	1.01	1.02	1.07	1.26	(0.56)

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 increase in net profit before income tax, the interest coverage ratio is increased as well.
- Profitability: Due to the increase in net income, return on total assets, return on equity, Pre-tax Income to Share Capital Ratio, net margin and earnings per share increased as well.
- Cash flow adequacy ratio: Due to the decrease in inventory, the cash flow adequacy ratio is increased.
- Cash reinvestment ratio: The decrease in cash dividends paid led to an increase in net cash inflows from operating activities in the current period, which resulted in an increase in the cash reinvestment ratio.
- 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 2020 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				
		2015	2016	2017	2018	2019
Financial structure	Debt Ratio (%)	30	31	31	28	28
	Long-term Fund to Property, Plant and Equipment Ratio (%)	297	317	342	386	381
Solvency	Current Ratio (%)	154	163	148	159	172
	Quick Ratio (%)	118	121	105	118	131
	Interest Coverage Ratio (times)	145	191	92	9	23
Operating Performance	Accounts Receivable Turnover (times)	5.17	5.23	5.37	5.04	4.98
	Average Collection Period (days)	70.6	69.79	67.97	72.42	73.29
	Average Inventory Turnover (times)	6.51	6.15	5.89	5.69	5.99
	Accounts Payable Turnover (times)	5.70	5.83	6.99	4.99	4.81
	Average Inventory Turnover Days	56.07	59.35	61.97	64.15	60.93
	Property, Plant and Equipment Turnover (times)	3.89	3.57	3.76	3.53	3.29
	Total Assets Turnover (times)	0.80	0.81	0.79	0.69	0.62
Profitability	Return on Total Assets (%)	9	11	6	1	3
	Return on Equity (%)	13	16	9	1	4
	Pre-tax Income to Share Capital Ratio (%)	62	78	51	6	20
	Net Margin (%)	11	14	8	1	5
	Earnings Per Share (NT$)	4.97	6.26	3.78	0.41	1.66
Cash Flow	Cash Flow Ratio (%)	32	38	22	21	26
	Cash Flow Adequacy Ratio (%)	104	109	97	93	108
	Cash Reinvestment Ratio (%)	5	6	1	1	5
Leverage	Operating Leverage	2.36	2.63	3.70	6.48	9.64
	Financial Leverage	1.01	1.01	1.02	1.06	1.12

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 increase in net profit before income tax, the interest coverage ratio is increased as well.
- Profitability: Due to the increase in net income, return on total assets, return on equity, Pre-tax Income to Share Capital Ratio, net margin and earnings per share increased as well.
- Cash flow ratio: As the decrease in current liabilities is greater than the decrease in net cash flow from operating activities, the cash flow ratio has increased.
- Cash reinvestment ratio: The decrease in cash dividends paid led to an increase in net cash inflows from operating activities in the current period, which resulted in an increase in the cash reinvestment ratio.
- 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 2020 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 2019 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, 2020

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, 2019 and 2018

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.

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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, 2019 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. and Subsidiaries do not prepare a separate set of combined financial statements.

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

Chairman: HUANG , WEI-JIN

Date: March 20, 2020

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, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 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 12(b) 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, which was recognized under other gains and losses for the year ended December 31, 2018. The related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of December 31, 2019, the Company received the cumulated amounts of insurance claim amounting to $700,000 thousand. The aforementioned amounts were recognized under other gains and losses amounting to $350,000 thousand, respectively, for the years ended December 31, 2019 and 2018. 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 Consolidated 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 for the year ended December 31, 2019. 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(f) 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 have to be based on the managements' assessment using internal and extermal evidences. Therefore, the subsequent measurements of inventories were 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(l), 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 of 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, 2019 and 2018, on which we have issued an unmodified opinion on the above paragraph concerning the emphasis of matter.

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, 2020

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' audit 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' audit 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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 4,320,602	19	4,077,954	18
1110	Financial assets measured at fair value through profit and loss－current (note 6(b))	844,305	4	1,046,338	5
1150	Notes receivable, net (notes 6(d) and 6(r))	29,586	-	5,573	-
1170	Accounts receivable, net (notes 6(d) and 6(r))	3,600,032	16	3,660,346	16
1200	Other receivables (note 6(e))	62,658	-	71,818	-
1220	Current income tax assets	113,094	-	116,124	-
130x	Inventories (notes 6(f) and 9)	3,105,154	13	3,648,971	16
1410	Prepayments	75,665	-	111,883	-
1476	Other financial assets－current (note 6(c))	610,070	3	1,361,669	6
1479	Other current assets	145,225	1	206,248	1
	Total current assets	12,906,391	56	14,306,924	62
15xx	Non-current assets:				
1600	Property, plant and equipment (notes 6(h), 7, 8 and 9)	7,863,012	34	7,117,745	31
1755	Right-of-use assets (note 6(i))	434,396	2	-	-
1840	Deferred tax assets (note 6(o))	195,370	1	179,996	1
1915	Prepayments for equipment (note 9)	348,479	2	1,250,926	5
1975	Net defined benefit asset－non-current (note 6(n))	110,928	-	65,307	-
1980	Other financial assets－non-current (note 6(c))	1,245,851	5	180,313	1
1985	Long-term prepaid rental	-	-	54,623	-
	Total non-current assets	10,198,036	44	8,848,910	38
1xxx	**Total assets**	**$ 23,104,427**	**100**	**23,155,834**	**100**

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(j), 8 and 9)	$ 1,447,057	6	1,406,223	6
2322	Current portion of long-term loans (notes 6(j), 8 and 9)	-	-	8,334	-
2150	Notes payable	514,231	2	840,259	4
2170	Accounts payable	2,055,863	9	2,352,837	10
2219	Other payables (notes 6(n) and 6(s))	1,379,003	6	1,575,008	7
2230	Current tax liabilities	24,667	-	-	-
2280	Current lease liabilities (note 6(l))	45,121	-	-	-
2321	Bonds payable (note 6(k))	-	-	149,396	-
2399	Other current liabilities (note 6(r))	859,953	4	715,185	3
	Total current liabilities	6,325,895	27	7,047,242	30
25xx	**Non-Current liabilities:**				
2570	Deferred tax liabilities (note 6(o))	668,685	3	628,071	3
2580	Non-current lease liabilities (note 6(l))	339,812	2	-	-
2640	Net defined benefit liability－non-current (note 6(n))	32,737	-	19,049	-
	Total non-current liabilities	1,041,234	5	647,120	3
2xxx	**Total liabilities**	7,367,129	32	7,694,362	33
	Equity attributable to shareholders of the parent (notes 6(g), 6(k), 6(n) and 6(p)):				
3110	Common stock	3,974,954	17	3,974,954	17
3200	Capital surplus	1,578,800	7	1,568,318	7
3300	Retained earnings:				
3310	Legal reserve	2,335,852	10	2,319,521	10
3320	Special reserve	142,180	1	129,404	-
3350	Unappropriated earnings	8,054,194	35	7,598,024	33
		10,532,226	46	10,046,949	43
3400	Other equity:				
3410	Foreign currency translation differences for foreign operations	(350,229)	(2)	(142,180)	-
	Total equity attributable to shareholders of the company	15,735,751	68	15,448,041	67
36xx	**Non-controlling interests (note 6(g))**	1,547	-	13,431	-
3xxx	**Total equity**	15,737,298	68	15,461,472	67
2-3xxx	**Total liabilities and equity**	**$ 23,104,427**	**100**	**23,155,834**	**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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(r))**	$ 17,848,498	100	20,173,888	100
5000	**Operating costs (notes 6(f), 6(n) and 7)**	16,453,990	92	18,098,029	90
5900	**Gross profit**	1,394,508	8	2,075,859	10
6000	**Operating expenses (notes 6(d), 6(n), 6(s) and 7):**				
6100	Selling expenses	559,522	3	533,096	3
6200	Administrative expenses	444,323	2	507,043	2
6300	Research and development expenses	104,680	1	129,845	1
6450	Expected credit loss (reversal of expected credit loss)	(12,159)	-	10,822	-
	Total operating expenses	1,096,366	6	1,180,806	6
6900	**Operating income**	298,142	2	895,053	4
7000	**Non-operating income and expenses (notes 6(f), 6(h), 6(k), 6(l), 6(t) and 12):**				
7010	Other income	281,996	1	358,055	2
7020	Other gains and losses	313,509	2	(819,382)	(4)
7050	Finance costs	(61,293)	-	(58,657)	-
	Total non-operating income and expenses	534,212	3	(519,984)	(2)
7900	**Income before income tax**	832,354	5	375,069	2
7950	**Less: Income tax expenses (note 6(o))**	172,382	1	212,844	1
	Net income	659,972	4	162,225	1
8300	**Other comprehensive income (notes 6(n), 6(o) and 6(q)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	29,069	-	3,034	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	5,814	-	621	-
	Total items that will not be reclassified subsequently to profit or loss	23,255	-	2,413	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation differences for foreign operations	(207,807)	(1)	5,303	-
8399	Income tax related to items that will be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will be reclassified subsequently to profit or loss	(207,807)	(1)	5,303	-
8300	**Other comprehensive income, net of tax**	(184,552)	(1)	7,716	-
8500	**Total comprehensive income**	**$ 475,420**	**3**	**169,941**	**1**
	Net income attributable to:				
8610	Shareholders of the Company	$ 660,825	4	163,311	1
8620	Non-controlling interests	(853)	-	(1,086)	-
		$ 659,972	**4**	**162,225**	**1**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 476,043	3	170,801	1
8720	Non-controlling interests	(623)	-	(860)	-
		$ 475,420	**3**	**169,941**	**1**
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$**	**1.66**		**0.41**
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$**	**1.66**		**0.41**

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, 2019 and 2018

(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, 2018	$ 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 appropriated	-	-	-	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
Appropriation and distribution:												
Legal reserve	-	-	16,331	-	(16,331)	-	-	-	-	-	-	-
Special reserve	-	-	-	12,776	(12,776)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	-	-	(198,748)	-	(198,748)
Net income (loss) for the year	-	-	-	-	660,825	660,825	-	-	-	660,825	(853)	659,972
Other comprehensive income for the year	-	-	-	-	23,267	23,267	(208,049)	-	(208,049)	(184,782)	230	(184,552)
Total comprehensive income for the year	-	-	-	-	684,092	684,092	(208,049)	-	(208,049)	476,043	(623)	475,420
Changes in non-controlling interests	-	10,482	-	-	(67)	(67)	-	-	-	10,415	(11,261)	(846)
Balance at December 31, 2019	**$ 3,974,954**	**1,578,800**	**2,335,852**	**142,180**	**8,054,194**	**10,532,226**	**(350,229)**	**-**	**(350,229)**	**15,735,751**	**1,547**	**15,737,298**

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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Income before tax	$ 832,354	375,069
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	1,064,848	1,071,339
Expected credit loss (reversal of expected credit loss)	(12,159)	10,822
Net gain on financial assets measured at fair value through profit or loss	(15,955)	(50,461)
Interest expense	61,293	58,657
Interest income	(95,082)	(91,657)
Dividend income	-	(759)
Loss on disposal of property, plant and equipment	25,672	10,179
Loss on disposal of investments	4,265	-
Unrealized loss on foreign exchange	38,499	26,077
Amortization expense for long-term prepaid rental	-	1,887
Loss on incident	-	902,744
Total adjustments to reconcile profit and loss	1,071,381	1,938,828
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Notes receivable	(24,812)	6,715
Accounts receivable	(38,137)	804,144
Other receivables	4,619	(7,335)
Inventories	576,667	65,261
Prepayments	34,573	52,224
Other current assets	59,296	(41,171)
Total net changes in operating assets	612,206	879,838
Net changes in operating liabilities:		
Notes payable	(326,028)	(125,427)
Accounts payable	(270,948)	(380,915)
Other payable	(177,783)	(271,369)
Other current liabilities	101,503	(36)
Net defined benefit liability	(4,111)	(51,147)
Total net changes in operating liabilities	(677,367)	(828,894)
Total net changes in operating assets and liabilities	(65,161)	50,944
Total adjustments	1,006,220	1,989,772
Cash inflow generated from operations	1,838,574	2,364,841
Interest income received	129,588	122,961
Interest paid	(51,820)	(46,706)
Income tax paid	(124,475)	(599,665)
Net cash flows from operating activities	1,791,867	1,841,431
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through profit or loss	(625,812)	(1,530,436)
Proceeds from disposal of financial assets measured at fair value through profit or loss	817,691	2,040,191
Acquisition of property, plant and equipment	(626,240)	(489,636)
Proceeds from disposal of property, plant and equipment	4,842	16,374
Acquisition of right-of-use assets	(346)	-
Decrease (increase) in other financial assets— non-current	(431,664)	210,581
Increase in prepayments for equipment	(310,486)	(1,122,518)
Dividend received	-	759
Net cash flows used in investing activities	(1,172,015)	(874,685)
Cash flows from financing activities::		
Increase in short-term loans	3,490,620	4,303,746
Decrease in short-term loans	(3,433,003)	(4,655,812)
Repayments of bonds	(157,557)	-
Repayments of long-term loans	(8,754)	(43,338)
Payment of lease liabilities	(51,487)	-
Cash dividends paid	(198,748)	(894,365)
Change in non-controlling interests	(846)	-
Net cash flows used in financing activities	(359,775)	(1,289,769)
Effect of exchange rate changes on cash and cash equivalents	(17,429)	18,606
Net increase (decrease) in cash and cash equivalents	242,648	(304,417)
Cash and cash equivalents at beginning of period	4,077,954	4,382,371
Cash and cash equivalents at end of period	$ 4,320,602	4,077,954

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, 2019 and 2018

(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

These accompanying consolidated financial statements were approved and authorized for issue by the board of directors on March 20, 2020.

(3) Application of new and revised 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, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued 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
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

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except IFRS 16 "Leases", the adoption of abovementioned standards and interpretations has not had a material impact on the consolidated financial statements.

IFRS 16 "Leases" ("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".

The Consolidated Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized on January 1, 2019. The extent and impact of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Consolidated Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Consolidated Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(j).

On transition to IFRS 16, the Consolidated Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Consolidated Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed at or after the date of initial application.

(ii) As a lessee

As a lessee, the Consolidated Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Consolidated Company. Under IFRS 16, the Consolidated Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded on the balance sheet.

The Consolidated Company decided to apply the recognition exemptions to the short-term leases of its office equipment and leases of computer equipment.

At transition, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, were measured at the present value of the remaining lease payments, discounted using the Consolidated Company's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to lease liabilities at the date of initial application.

In addition, the Consolidated Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Impacts on consolidated financial statements

On transition to IFRS 16, the Consolidated Company recognized its right-of-use assets of $453,915 thousand and $397,621 thousand of lease liabilities, less $54,623 thousand of long-term prepaid rental and $1,671 thousand of prepayments at the date of initial application. When measuring lease liabilities, the Consolidated Company discounted lease payments using its incremental borrowing rate at January 1, 2019, wherein the weighted-average rate applied is 2.15%.

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application is presented as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Consolidated Company's consolidated financial statements	$ 146,970
Recognition exemption for:	
short-term leases	(435)
leases of low-value assets	(2,534)
Extension and termination options reasonably certain to be exercised	294,757
	$ 438,758
Discounted using the incremental borrowing rate at January 1, 2019	$ 397,621
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 397,621

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

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Consolidated Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from 2020. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date issued per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Consolidated Company assesses that the initial adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

(c) The IFRSs 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 issued per IASB
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Consolidated 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 preparation of the consolidated financial statements are set out below. Except for those specially indicated, 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

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:

			Percentage of ownership		
Name of investor	**Name of subsidiary**	**Business activities**	**December 31, 2019**	**December 31, 2018**	**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%	(Note 1)
The Company	Draco PCB Public Co., Ltd. (Draco)	Production and trading of PCB	99.65%	99.58%	(Note 2)
VEGA International Enterprise Co., Ltd.	Chin-Poon Holdings Cayman Limited (CPCH)	Investment and 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 1: A resolution was passed during the board of directors meeting held on March 20, 2019 and decided May 21, 2019 as the date of liquidation for Chin-Poon Japan Co., Ltd. The procedures of liquidation were completed on November 11, 2019.

Note 2: In July 2019, the Company acquired the interest of 282 thousand shares in Draco PCB Public Co., Ltd. for $846 thousand, recognizing a reduction of $67 thousand in retained earnings.

(Continued)

(d) Foreign currency transactions

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 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.

(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 non-current 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.

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

(g) Financial instruments

(i) Financial assets

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). 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 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.

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 receivables, refundable deposits and other financial assets, etc.).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loss allowance for notes and accounts receivable 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 Consolidated 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 when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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.

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 liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Consolidated Company comprise convertible bonds that can be converted to shares capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized 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 remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, 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.

4) Financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise long-term and short-term loans, accounts payable 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 and foreign exchange gains and losses are recognized in profit and loss.

5) 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.

6) 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.

(iii) Derivative financial instruments

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 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.

(Continued)

(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.

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.

(Continued)

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:

Buildings	8~60 years
Machinery equipment	2~8 years
Other equipment	2~20 years
Leasehold equipment	5~30 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

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease.

(ii) As a leasee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Consolidated Company's incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term and in future lease payments the lease liability is remeasured, the Consolidated Company remeasures the lease liabilities with a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

The Consolidated Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Policy applicable before January 1, 2019

(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-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 it's 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Revenue recognition

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:

(i) 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.

(ii) 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.

(m) 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.

(Continued)

(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.

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.

(Continued)

(n) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous 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 taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) The Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) 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.

(p) 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.

(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.

(Continued)

(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, 2019	December 31, 2018
Cash on hand	$	2,340	4,200
Demand deposits		3,811,019	3,626,893
Time deposits		428,403	387,129
Checking deposits		78,840	59,732
Cash and cash equivalents per consolidated statement of cash flows	$	4,320,602	4,077,954

Please refer to note 6(u) 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(c) for the disclosure of the Consolidated Company's time deposits with a maturity of three months to one year 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, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Current:			
Beneficiary certificates	$	844,170	1,046,338
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts		135	-
Total	$	844,305	1,046,338

Please refer to note 6(t) for net gains or losses from financial assets measured at fair value through profit or loss.

As of December 31, 2019 and 2018, the Consolidated Company did not pledge its financial assets measured at fair value through profit or loss as collateral.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2019 and 2018, the Consolidated Company reported the following derivatives financial instruments as financial assets at fair value through profit or loss without the application of hedge accounting.

	Fair value assets	Contract amount (in thousands)	Expiry date
December 31, 2019			
Forward contracts	$ 135	USD 2,694	2020.03

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

(c) Other financial assets

	December 31, 2019	December 31, 2018
Current:		
Bank's time deposit	$ 610,070	1,361,669
Non-current:		
Bank's time deposit	1,225,400	160,857
Refundable deposits	20,451	19,456
Total	$ 1,855,921	1,541,982

As of December 31, 2019 and 2018, the Consolidated Company did not pledge its other financial assets as collateral.

(d) Notes receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 29,586	6,267
Accounts receivable	3,683,528	3,755,074
Less: loss allowance	83,496	95,422
	$ 3,629,618	3,665,919

(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. 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 were as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	**Weighted-average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not past due	$ 2,527,320	0.0545%	1,376
Past due 1~30 days	41,467	2.3924%	992
Past due 31~60 days	7,035	10.7554%	757
Past due 61~90 days	2,987	28.1910%	842
Past due 91~120 days	636	36.5139%	232
Past due 121 to 180 days	1,201	41.0494%	493
Past due over 181 days	74,650	100%	74,650
	$ 2,655,296		79,342

	December 31, 2018		
	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	238	100%	238
Past due 121 to 180 days	2,902	100%	2,902
Past due over 181 days	72,840	100%	72,840
	$ 2,484,549		89,221

(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 China were as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 675,371	0.0021%	14
Past due 1~30 days	47,080	0.1001%	47
	$ 722,451		61

	December 31, 2018		
	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

The Consolidated Company's analysis of the expected credit loss on its notes and accounts receivable in the regions of other were as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 329,043	0.6762%	2,225
Past due 1~30 days	2,221	5.1778%	115
Past due over 181 days	4,103	100%	4,103
	$ 335,367		6,443

(Continued)

	December 31, 2018		
	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
Past due over 181 days	4,716	100%	4,716
	$ 567,250		7,920

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

	2019	2018
Balance at beginning of the period	$ 95,422	84,584
Impairment loss recognized (reversed)	(12,159)	10,822
Translation effect	233	16
Balance at end of the period	$ 83,496	95,422

As of December 31, 2019 and 2018, the Consolidated Company had not provided the notes and accounts receivable as collateral or factored them for cash.

(e) Other receivables

	December 31, 2018	December 31, 2018
Other receivables	$ 63,716	72,876
Less: loss allowance	(1,058)	(1,058)
	$ 62,658	71,818

As of December 31, 2019 and 2018, the Consolidated Company had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment.

(f) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 1,543,569	1,809,428
Work in progress	1,126,369	1,275,254
Raw materials	435,216	564,289
	$ 3,105,154	3,648,971

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, the Consolidated Company recognized the amounts of $404,189 thousand and $505,830 thousand, respectively, as reductions of operating cost due to the disposal of scrap materials. For the years ended December 31, 2019 and 2018, the Consolidated Company recognized the losses on inventory valuation of $8,738 thousand and $102,858 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 the year ended December 31, 2018.

As of December 31, 2019 and 2018, the Consolidated Company did not pledge its inventories as collateral.

(g) Acquisitions of NCI

In July 2019, the Company acquired the interests of 282 thousand shares in Draco PCB Public Co., Ltd ("Draco") and from its non-related parties, spending $846 thousand, and increasing its ownership from 99.58% to 99.65%. For the year ended December 31, 2019, the Consolidated Company recognized the amount of $67 thousand as a reduction of its retained earnings.

The change in the subsidiary's equity attributed to the Company was as follows:

	December 31, 2019
Carrying amount of non-controlling interest on acquisition	$ 779
Consideration paid to non-controlling interests	(846)
Differences between consideration and carrying amounts of subsidiaries acquired	**$ (67)**

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

(h) 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, 2019 and 2018 were as follows:

	Land	**Buildings**	**Machinery equipment**	**Other equipment**	**Leasehold improvement**	**Construction in progress**	**Total**
Cost:							
Balance at January 1, 2019	$ 841,988	3,455,332	11,354,744	2,967,156	17,124	33,067	18,669,411
Additions	-	156,237	325,364	141,504	5,943	37,681	666,729
Disposals	-	(910)	(185,338)	(31,879)	-	-	(218,127)
Reclassification	-	494,484	641,898	78,524	16,915	(50,348)	1,181,473
Translation effect	4,673	(49,998)	(75,596)	(34,719)	-	1,840	(153,800)
Balance at December 31, 2019	$ 846,661	4,055,145	12,061,072	3,120,586	39,982	22,240	20,145,686
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

(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, 2019	$	-	1,513,289	7,890,043	2,144,123	4,211	-	11,551,666
Depreciation		-	100,586	719,860	191,514	4,486	-	1,016,446
Disposal		-	(450)	(158,107)	(29,056)	-	-	(187,613)
Reclassification		-	-	-	432	-	-	432
Translation effect		-	(13,400)	(57,867)	(26,990)	-	-	(98,257)
Balance at December 31, 2019	$	-	1,600,025	8,393,929	2,280,023	8,697	-	12,282,674
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
Disposals		-	-	(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
Carrying amount:								
Balance at December 31, 2019	$	846,661	2,455,120	3,667,143	840,563	31,285	22,240	7,863,012
Balance at December 31, 2018	$	841,988	1,942,043	3,464,701	823,033	12,913	33,067	7,117,745
Balance at January 1, 2018	$	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, 2019 and 2018, the Consolidated Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(t).

(ii) Impairment loss

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

		2019	2018
Balance at beginning of the period	$	458,478	14,675
Disposals during the period		-	(40)
Impairment loss recognized during the period		-	443,234
Translation effect		910	609
Balance at end of the period	$	459,388	458,478

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 the year ended December 31, 2018.

(iii) Collateral

As of December 31, 2019 and 2018, the Consolidated Company pledged its property, plant and equipment as collateral for long-term and short-term loans, please refer to note 8.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Consolidated Company leases its assets including its use right of land and buildings. Information about leases for which the Consolidated Company is the lessee is as follow:

		Use right of land	Buildings	Total
Cost:				
Balance at January 1, 2019	$	-	-	-
Effects of retrospective application		56,294	397,621	453,915
Balance at January 1, 2019 after retrospective		56,294	397,621	453,915
Additions		346	30,619	30,965
Translation effect		(2,141)	-	(2,141)
Balance at December 31, 2019	$	54,499	428,240	482,739
Accumulated depreciation:				
Balance at January 1, 2019	$	-	-	-
Depreciation		1,493	46,909	48,402
Translation effect		(59)	-	(59)
Balance at December 31, 2019	$	1,434	46,909	48,343
Carrying amount:				
December 31, 2019	$	53,065	381,331	434,396

The Consolidated Company leases factory facilities and parking space under operating leases for the year ended December 31, 2018, please refer to note 6(m).

(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, 2019				
	Currency	Range of interest rates (%)	Year of maturity		Amount
Secured loans	THB	2.25~4.0501	2020	$	387,095
Unsecured loans	USD	2.56~3.28	2020		959,233
Unsecured loans	EUR	0.54	2020		100,729
Total				$	1,447,057

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	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

As of December 31, 2019 and 2018, the unused credit facilities of the Consolidated Company's short-term loans amounted to $4,989,869 thousand and $4,175,238 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

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

(iii) Collateral of loans

As of December 31, 2019 and 2018, the Consolidated Company has mortgaged its assets as collateral of loans, please refer to note 8.

(k) Bonds payable

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

	December 31, 2019	**December 31, 2018**
Unsecured convertible bonds	$ -	151,155
Translation effect	-	(1,759)
Bonds payable of ending balance	$ -	149,396
Equity component－conversion options (non-controlling interests)	$ -	10,519

	2019	**2018**
Interest Expenses (financial costs)	$ 5,175	10,478

(Continued)

(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, 2014, which amounted to $415,905 thousand (approximately THB441,794 thousand). When a company holds the convertible bonds issued by its subsidiary, the bonds held shall be viewed as redeemed bonds of the issuer. On July 2017, the Company has fully converted its convertibles bonds issued by Draco.

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

		December 31, 2019	December 31, 2018
Total amount of convertible bonds	$	564,540	564,540
Accumulated amount of converted bonds		(407,495)	(407,495)
Repayment of bonds		(162,050)	-
Translation effect		5,005	(7,050)
Bonds payable of ending balance	$	-	149,995

Due to the issued and paid date of convertible bonds payable issuing by Draco was on August 19, 2019, causing the changes in non-controlling interests. The Company recognized the amount of $10,482 thousand in capital surplus, resulting from abovementioned transaction.

(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

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.

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.

(Continued)

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

(l) Lease liabilities

The carrying amounts of lease liabilities for the Consolidated Company were as follow:

	December 31, 2019
Current	$ 45,121
Non-current	$ 339,812

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 8,180
Expenses relating to short-term leases	$ 1,600
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 4,642

The amount recognized in the statement of cash flows for the Consolidated Company was as follows:

	2019
Total cash outflow for leases	$ 65,909

(m) Operating leases

As of December 31, 2018, the Consolidated Company's non-cancellable rental payables of operating leases were as follows:

	December 31, 2018
Less than one year	$ 48,582
Between one and five years	98,388
	$ 146,970

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 year ended December 31, 2018, lease costs and expenses were $56,536 thousand.

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2019	December 31, 2018
Present value of the defined benefit obligations	$	385,385	407,830
Fair value of plan assets		(463,576)	(454,088)
Net defined benefit asset	**$**	**(78,191)**	**(46,258)**

As of December 31, 2019 and 2018, the Consolidated Company's net defined benefit assets amounted to $78,191 thousand and $46,258 thousand, respectively, deriving from the net defined benefit assets of $110,928 thousand and $65,307 thousand, respectively, recorded by the Company, less, the net defined benefit liabilities of $32,737 thousand and $19,049 thousand, respectively, under Draco's management.

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.

The Company's Bank of Taiwan and Chunghwa Post Co., Ltd. labor pension reserve account balance amounted to $428,068 thousand and $35,508 thousand, respectively, as of December 31, 2019. 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligation at January 1	$	407,830	462,867
Current service costs and interest		9,248	12,130
Remeasurements of the net defined benefit liability (asset)			
－Actuarial gains and losses arising from changes in financial assumptions		(16,039)	6,891
Past service cost and settlement gains		7,627	(40,401)
Benefits paid		(23,281)	(33,657)
Defined benefit obligation at December 31	$	385,385	407,830

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, 2019 and 2018 were as follows:

		2019	2018
Fair value of plan assets at January 1	$	454,088	455,629
Remeasurements of the net defined benefit liability (asset)			
－The return on plan assets (excluding amounts included in the interest during this period)		6,055	7,133
－Actuarial gains and losses arising from changes in financial assumptions		13,030	9,925
Contributions made		13,684	15,058
Benefits paid		(23,281)	(33,657)
Fair value of plan assets at December 31	$	463,576	454,088

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized on profit or loss for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current service costs	$	3,683	4,800
Net interest on the defined benefit liability (asset)		(490)	197
Past service cost and settlement gains		7,627	(40,401)
	$	10,820	(35,404)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2019	2018
Operating costs	$ 2,228	3,215
Selling expenses	240	410
Administration expenses	8,318	1,232
Research and development expenses	34	140
	$ 10,820	4,997

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 Consolidated Company's remeasurements of the net defined benefit liability and asset recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cumulative amount at January 1	$ (802)	2,232
Recognized during the period	(29,069)	(3,034)
Cumulative amount at December 31	$ (29,871)	(802)

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:

	2019.12.31	2018.12.31
Discount rate	0.75%~1.56%	1.00%~2.47%
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 $13,116 thousand.

The Consolidated Company's weighted average duration of the defined benefit obligation of employee and manager are 17.88 years and 7.81 years, respectively.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Sensitivity analysis for actuarial assumption

As of December 31, 2019 and 2018, 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, 2019		
Discount rate (changes 0.25%)	$ (12,760)	13,359
Future salary increase rate (changes 0.25%)	13,161	(12,640)
At December 31, 2018		
Discount rate (changes 0.25%)	(13,936)	14,773
Future salary increase rate (changes 0.25%)	14,515	(13,764)

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 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 $160,222 thousand and $179,587 thousand for the years ended December 31, 2019 and 2018, respectively.

(iii) Short-term employee benefit

	December 31, 2019	December 31, 2018
Annual leave benefit (recorded under other payables)	$ 38,766	42,042

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Income taxes

(i) Income tax expense

The amounts of the Consolidated Company's income tax for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Current period	$	136,655	236,860
Surtax on unappropriated retained earnings		-	33,634
Adjustment for prior periods		16,301	(142,965)
		152,956	127,529
Deferred tax expense			
Origination and reversal of temporary differences		19,426	(128,181)
Adjustment for prior deferred tax		-	143,988
Adjustment in tax rate		-	69,508
		19,426	85,315
Income tax expenses from continuing operations	$	172,382	212,844

The amounts of the Consolidated Company's income tax expense recognized under other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Items that may not be reclassified into profit and loss:			
Remeasurements of defined benefit plan	$	5,814	621

Reconciliations of the Consolidated Company's income tax expense (benefit) and income before tax for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Income before tax	$	832,354	375,069
Income tax using the Company's domestic tax rate	$	166,471	75,014
Effect of tax rates in foreign jurisdiction		32,024	(106,774)
Dividend income		-	152
Adjustment in tax rate		-	69,508
Under estimate of prior years' income tax		16,301	1,023
Tax-exempt income		(3,836)	(12,399)
Surtax on unappropriated retained earnings		-	33,634
Current-year for which no deferred tax asset was recognized		43,532	47,413
Adjustment according to tax low		(66,284)	114,682
Tax credits utilized		(15,019)	(16,821)
Others		(807)	7,412
Total	$	172,382	212,844

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2019	December 31, 2018
The carryforward of unused tax losses	$ 890,623	723,115

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.

As of December 31, 2019, 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	$ 107,690	2019
2015	131,106	2020
2016	197,104	2021
2017	237,065	2022
2018	217,658	2023
	$ 890,623	

2) Recognized deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory devaluation loss	Loss allowance	Refund liabilities	Others	Total
Balance at January 1, 2019	$ 3,809	38,306	21,682	113,132	3,067	179,996
Recognized in profit or loss	1,863	(4,958)	(1,569)	15,956	3,207	14,499
Recognized in other comprehensive income	875	-	-	-	-	875
Balance at December 31, 2019	$ 6,547	33,348	20,113	129,088	6,274	195,370
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

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax liabilities:

	Gain from investment using equity method	Defined benefit plans	Others	Total
Balance at January 1, 2019	$ 614,524	13,061	486	628,071
Recognized in profit or loss	31,786	2,435	(296)	33,925
Recognized in other comprehensive income	-	6,689	-	6,689
Balance at December 31, 2019	**$ 646,310**	**22,185**	**190**	**668,685**
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**

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2017.

(p) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, 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, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 630,382	630,382
Conversion of convertible bonds ordinary shares	937,936	937,936
Changes in equity of subsidiaries	10,482	-
	$ 1,578,800	**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)

(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. In accordance with Rule No. 10802432410 issue by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to applied the profit distribution based on its financial statements in 2019, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

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 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. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The appropriations of 2018 and 2017 earnings have been approved by the Company's shareholders in its meetings held on June 27, 2019, and June 29, 2018, respectively. The appropriations and dividends per share were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash	$ 0.50	198,748	2.25	894,365

On March 20, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019 (Proposed)	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	$ 1.0	397,495

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign	Non-controlling interests	Total
Balance at January 1, 2019	$ (142,180)	(7,298)	(149,478)
Foreign exchange differences arising from foreign operation	(208,049)	242	(207,807)
Balance at December 31, 2019	$ (350,229)	(7,056)	(357,285)

	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)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Earnings per share

The calculation of the Company's basic and diluted earnings per share for years ended December 31, 2019 and 2018 were as follows:

(i) Basic EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 660,825	163,311
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Basic EPS (New Taiwan dollars)	$ 1.66	0.41

(ii) Diluted EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 660,825	163,311
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Influence of potentially dilutive shares－		
Remuneration to employees (thousand shares)	537	471
Weighted-average number of shares outstanding－diluted (thousand shares)	398,032	397,966
Diluted EPS (New Taiwan dollars)	$ 1.66	0.41

(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 years ended December 31, 2019 and 2018 were as follows:

	2019			
	Taiwan	China	Others	Total
Taiwan	$ 482,114	-	-	482,114
United states	3,161,264	14,058	158,274	3,333,596
Germany	1,815,877	149,686	138,971	2,104,534
Hungary	908,130	60,448	315	968,893
China	1,517,422	1,164,777	242,106	2,924,305
Others	5,268,048	822,610	1,944,398	8,035,056
	$ 13,152,855	2,211,579	2,484,064	17,848,498

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	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

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2019
Notes receivable	$ 29,586	6,267	12,982
Account receivable	3,683,528	3,755,074	4,562,951
Less: loss allowance	83,496	95,422	84,584
Total	$ 3,629,618	3,665,919	4,491,349

For the details on accounts receivable and allowance for impairment, please refer to note 6(d).

(iii) Refund liabilities (recorded under other current liabilities)

	December 31, 2019	December 31, 2018
Sales return and discounts	$ 624,719	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) 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, the Company accrued and estimated the remuneration to employee amounting to $16,239 thousand and $5,313 thousand, respectively, and directors and supervisors amounting to $4,680 thousand and $2,680 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 2019 and 2018. 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 2019 and 2018.

(t) Non-operating income and expenses

(i) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income	$ 95,082	91,657
Rental income	840	840
Dividend income	-	759
Gains on writ-off from accrued expense	-	4,975
Other income－other		
Compensation income	45,305	57,053
Other	140,769	202,771
Subtotal other income－other	186,074	259,824
Total other income	$ 281,996	358,055

(ii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Loss on disposal of property, plant and equipment	$ (25,672)	(10,179)
Loss on disposal of investments	(4,265)	-
Net on foreign exchange gain	20,745	75,200
Gain on financial assets measured at fair value through profit and loss	15,955	50,461
Miscellaneous disbursements	(43,254)	(454,844)
Other gains and losses	350,000	(480,020)
Other gains and losses, net	**$ 313,509**	**(819,382)**

(Continued)

(iii) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense	$ 61,293	58,657

(u) 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 risk exposure amounts were $9,868,799 thousand and $9,357,673 thousand as at December 31, 2019 and 2018, respectively.

2) Concentration of credit risk

For the years ended December 31, 2019 and 2018, the Consolidated Company's counterparties of account receivables transaction mainly locate in the United States, China, and Germany. As of December 31, 2019 and 2018, the balance of accounts receivable from those regions accounted for 46% 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(d).

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 months expected losses.

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, 2019							
Non-derivative financial liabilities							
Secured loans	$	387,095	399,289	399,289	-	-	-
Unsecured loans		1,059,962	1,090,913	1,090,913	-	-	-
Notes payable		514,231	514,231	514,231	-	-	-
Accounts payable		2,055,863	2,055,863	2,055,863	-	-	-
Other payables		784,700	784,700	784,700	-	-	-
Lease liabilities		384,933	421,426	52,953	52,715	146,161	169,597
	$	5,186,784	5,266,422	4,897,949	52,715	146,161	169,597
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	-	-	-

The Consolidated 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 Consolidated Company's financial assets and liabilities exposured to significant foreign currency risk were as follows:

		December 31, 2019			December 31, 2018		
		Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets:							
Monetary items:							
USD	$	153,447	29.9910	4,602,029	140,318	30.7340	4,312,533
JPY		1,060,370	0.2756	292,238	602,597	0.2772	167,040
EUR		10,450	33.5762	350,871	8,476	35.1644	298,053
THB		308,522	1.0047	309,972	406,064	0.9481	384,989
CNY		137,040	4.2925	588,244	87,646	4.4770	392,391

(Continued)

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial liabilities:						
Monetary items:						
USD	96,865	29.9910	2,905,078	89,732	30.7340	2,757,823
JPY	46,333	0.2756	12,769	46,078	0.2772	12,773
EUR	4,809	33.5762	161,468	5,659	35.1644	198,995
THB	-	-	-	59,148	0.9481	56,078

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 accounts and other payables that are denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the NTD against the USD, JPY, EUR, THB and CNY as of December 31, 2019 and 2018, would have increased or decreased the net income before tax by $30,640 thousand and $25,293 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 types 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 $20,745 thousand and $75,200 thousand for the years ended December 31, 2019 and 2018, 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.

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 before tax will have increased or decreased by $8,168 thousand and $4,951 thousand, respectively, for the years ended December 31, 2019, and 2018. This were mainly due from the Consolidated Company's loans and time deposits on floating rates.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Fair value information

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required :

	December 31, 2019				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Derivative financial assets for hedging	$ 844,170	844,170	-	-	844,170
Non derivative financial assets mandatorily measured at fair value through profit or loss	135	-	135	-	135
Subtotal	844,305	844,170	135	-	844,305
Financial assets measured at amortized cost					
Cash and cash equivalents	4,320,602	-	-	-	-
Notes and accounts receivable	3,629,618	-	-	-	-
Other receivables	62,658	-	-	-	-
Other financial assets－current and non-current	1,855,921	-	-	-	-
Subtotal	9,868,799	-	-	-	-
Total	$ 10,713,104	844,170	135	-	844,305
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,447,057	-	-	-	-
Notes and accounts payable	2,570,094	-	-	-	-
Other payables	784,700	-	-	-	-
Lease liabilities	384,933	-	-	-	-
Total	$ 5,186,784	-	-	-	-

(Continued)

	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	$ 1,046,338	1,046,338	-	-	1,046,338
Subtotal	1,046,338	1,046,338	-	-	1,046,338
Financial assets measured at amortized cost					
Cash and cash equivalents	4,077,954	-	-	-	-
Notes and accounts 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**
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,406,223	-	-	-	-
Current portion of long-term loans	8,334	-	-	-	-
Notes and accounts payable	3,193,096	-	-	-	-
Other payables	978,812	-	-	-	-
Bonds payable	149,396	-	-	-	-
Total	**$ 5,735,861**	**-**	**-**	**-**	**-**

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

If financial instrument has 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).

(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 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).

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, 2019 and 2018.

(v) 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 framework's operations regularly.

(Continued)

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.

(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 in debt 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.

(Continued)

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, 2019 and 2018, 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.

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 $4,989,869 thousand and $4,175,238 thousand, respectively, as of December 31, 2019 and 2018.

(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 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(w) 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, 2019	December 31, 2018
Total liabilities	$ 7,367,129	7,694,362
Less: cash and cash equivalents	4,320,602	4,077,954
Net debt	$ 3,046,527	3,616,408
Total equity	$ 15,737,298	15,461,472
Debt-to-capital ratio	19%	23%

As of December 31, 2019, there were no changes in the Consolidated Company's approach of capital management.

(x) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2019 and 2018 were as follows:

			Non-cash changes			
	January 1, 2019	Cash flows	Acquisition of right-of-use assets	Foreign exchange movement	Interest expenses	December 31, 2019
Long-term loans (including current portion)	$ 8,334	(8,754)	-	420	-	-
Short-term loans	1,406,223	57,617	-	(16,783)	-	1,447,057
Lease liabilities	397,621	(51,487)	30,619	-	8,180	384,933
Bonds payable	149,396	(157,557)	-	2,986	5,175	-
Total liabilities from financing activities	$ 1,961,574	(160,181)	30,619	(13,377)	13,355	1,831,990

		Cash flows		Non-cash changes		
	January 1, 2018	Acquisition	Repayments	Foreign exchange movement	Interest expenses	December 31, 2018
Long-term loans (including current portion)	$ 50,271	-	(43,338)	1,401	-	8,334
Short-term loans	1,790,514	4,303,746	(4,655,812)	(32,225)	-	1,406,223
Bonds payable	140,677	-	-	(1,759)	10,478	149,396
Total liabilities from financing activities	$ 1,981,462	4,303,746	(4,699,150)	(32,583)	10,478	1,563,953

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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:

		2019	2018
Short-term employee benefits	$	61,447	51,458
Post-employment benefits		894	916
Termination benefits		2,499	445
Other long-term benefits		4	8
	$	64,844	52,827

For the years ended December 31, 2019 and 2018, the Consolidated Company provided five vehicles at cost of $3,268 thousand and six vehicles at cost of $3,778 thousand, respectively, for key management personnel.

(8) Pledged assets

The Consolidated Company's carrying amounts of pledged assets were as follows:

Pledged assets	Object		December 31, 2019	December 31, 2018
Property, plant and equipment				
Land	Short-term and long-term bank loans	$	33,245	31,372
Buildings	Short-term and long-term bank loans		133,296	161,262
		$	166,541	192,634

(9) Significant commitments and contingencies

(a) As of December 31, 2019 and 2018, the Consolidated Company had outstanding letters of credit for purchase of material and equipment amounting approximately to $0 thousand and $3,305 thousand, respectively, on which the Consolidated Company paid no deposits.

(b) As of December 31, 2019 and 2018, the Consolidated Company provided guarantee notes amounting to $696,400 thousand and $1,376,400 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 as of December 31, 2019 and 2018.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) For expanding the factory, the Consolidated Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was $555,139 thousand and $1,575,882 thousand as of December 31, 2019 and 2018, respectively, of which the Consolidated Company had paid $369,532 thousand and $1,237,123 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.

(d) On February 25, 2019, the Company received an indictment, with case number 108-Zhen-829 and 108-Zhen-2491, from the Taoyuan District Prosecutors Office. The chairman of the Consolidated 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. On April 17, 2019, the chairman and the said employees received a notice from criminal court of Taoyuan District Court and 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.

(10) Significant losses from calamity: None.

(11) Significant subsequent events

(a) A resolution was passed during the board of directors of Draco PCB Public Co., Ltd. held on March 12, 2020, for increasing capital by cash amounting to THB 300,000 thousand, in order to repay the debts and improve its financial structure.

(b) The appropriation of 2019 earnings please refer to note 6(p).

(12) Other

(a) A summary of employee benefit expenses, depreciation, depletion and amortization by function, were as follows:

By function	Year ended December 31 2019			Year ended December 31 2018		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	3,101,188	346,220	3,447,408	3,318,345	321,467	3,639,812
Labor and health insurance	275,843	25,162	301,005	293,160	25,161	318,321
Pension	142,924	28,118	171,042	163,088	21,496	184,584
Directors' remuneration	-	11,118	11,118	-	5,320	5,320
Others	237,902	29,040	266,942	274,263	26,140	300,403
Depreciation	1,018,349	46,499	1,064,848	1,045,363	25,976	1,071,339
Amortization	-	-	-	-	-	-

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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).

(b) 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, which was recognized under other gains and losses for the year ended December 31, 2018. The related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of December 31, 2019, the Company received the cumulated amounts of insurance claim amounting to $700,000 thousand. The aforementioned amounts were recognized under other gains and losses amounting to $350,000 thousand, respectively, for the years ended December 31, 2019 and 2018. 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.

(Continued)

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 2019:

(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 4)	Range of interest rates	Purposes of fund financing for the borrowers (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Financing limit for each borrowing company	Maximum financing limit for the lender
0	CHIN-POON INDUSTRIAL CO., LTD.	Draco PCB Public Co., Ltd	Other receivables－related parties	Yes	252,840	239,928	89,973	3.33513 ~ 3.84975	2	-	Operating capital	-		-	6,294,300 (Note 2)	6,294,300 (Note 2)
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables－related parties	Yes	948,150	899,730	899,730	3.33513 ~ 4.05763	2	-	Operating capital	-		-	3,559,842 (Note 1)	35,859,842 (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 Industrial Co., Ltd.

Note 2: The total amount lending to the subsidiaries and each borrowing company shall not be over 40% of the net worth of Chin-Poon Holdings Cayman Limited.

Note 3: 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 4: 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: Name	Relationship with the company (Note 1)	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
0	CHIN-POON INDUSTRIAL CO., LTD.	Chin Poon Holdings Cayman Limited	4	3,147,150	632,100	599,820	-	-	3.81%	3,933,938	Y	N	N
0	CHIN-POON INDUSTRIAL CO., LTD.	Draco PCB Public Co., Ltd	4	3,147,150	505,680	479,856	179,946	-	3.05%	3,933,938	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 securities 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, 2019 (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: Number of shares/units	Book value	Holding percentage	Market value	Maximum investment in 2019	Remarks
The Company	Beneficiary Certificate: Jih Sun Money Market	-	Financial assets at fair value through profit or loss－current	7,549,184	112,314	- %	112,314	112,314	
The Company	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss－current	9,549,204	99,112	- %	99,112	99,112	
The Company	Allianz Glbl Inv Global Bd A	-	Financial assets at fair value through profit or loss－current	2,516,420	31,525	- %	31,525	31,631	
Chin-Poon (Changshu) Electronic Co., Ltd	CR Yuanted Cash Earnings	-	Financial assets at fair value through profit or loss－current	140,000,000	601,219	- %	601,219	691,484	

(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 Units	Beginning balance Amount	Purchases Units	Purchases Amount	Sales Units	Sales Price	Sales Cost	Sales Disposal gain	Ending balance Units	Ending balance Amount
Chin-Poon (Changshu) Electronic Co., Ltd	CR Yuanta Cash Earning	Financial assets at fair value through profit or loss－current	CR Yuanta Fund	-	180,000,000	806,032	140,000,000	625,812	180,000,000	817,691	772,654	(12,934)	140,000,000	601,219

(v) Acquisition 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
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(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(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)	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	3,489,866	42.58 %	Note 1	Note 1	Note 1	(1,015,767)	(42.22)%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	(Sale)	(3,489,866)	(54.84) %	Note 1	Note 1	Note 1	1,015,767	57.85%	
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	531,397	87.40 %	Note 1	Note 1	Note 1	-	-%	
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent company	(Sale)	(531,397)	(8.35) %	Note 1	Note 1	Note 1	-	-%	
Chin-Poon Japan Co., Ltd.	The Company	Parent company	Purchase	123,903	98.40 %	Note 1	Note 1	Note 1	-	-%	
The Company	Chin-Poon Japan Co., Ltd.	Subsidiaries	(Sale)	(123,903)	(0.91) %	Note 1	Note 1	Note 1	-	-%	
The Company	Draco PCB Public Co., Ltd.	Subsidiaries	Purchase	220,298	2.69 %	Note 1	Note 1	Note 1	(40,951)	(1.70)%	
Draco PCB Public Co., Ltd.	The Company	Parent company	(Sale)	(220,298)	(11.23) %	Note 1	Note 1	Note 1	40,951	11.25%	

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		
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	1,015,767	3.62 %	-		632,833 (As at February 28, 2020)	-
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	907,232 (note 2)	- %	-		7,502 (As at February 28, 2020)	-

Note 1: The transaction has already been written off in the consolidated financial statement.

Note 2: Included principle $899,730 thousand and other receivables of interest $7,502 thousand.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

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)
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd	1	Cost of goods sold	3,489,866	Note 3	19.55%
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd	1	Accounts payable-related parties	1,015,767	Note 3	4.40%
0	The Company	Draco PCB Public Co., Ltd.	1	Cost of goods sold	220,298	Note 3	1.23%
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	3	Cost of goods sold	531,397	Note 3	2.98%
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	3	Other payable-related parties	907,232	The rate of interests is determined in accordance with mutual agreement	3.93%

Note 1: Company numbering is as follows:

(1) Parent company - 0.

(2) Subsidiary starts from 1.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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 side stream 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 2019 (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, 2019	December 31, 2018	Shares	Percentage of ownership	Book value (Note 1)				
The Company	VEGA International Enterprise Co., Ltd.	British Virgin Islands	Investment	3,070,205	3,070,205	131,242,925	100.00%	7,119,686	131,242,925	254,155	254,155	Subsidiary (Note 2)
The Company	Chin Poon Japan Co., Ltd.	Japan	Trading of printed circuit board	-	3,229	-	- %	-	180	1,195	1,195	Subsidiary (Note 4)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	1,763,693	1,762,846	417,043,785	99.65%	1,110,681	417,043,785	(223,642)	(222,789)	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%	7,119,686	92,354,035	254,155	254,155	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 were audited by on international accounting firm in cooperation with the R.O.C. accounting firm.

Note 4: A resolution was passed during the board of directors meeting held on March 20, 2019 and decided May 21, 2019 as the date of liquidation for Chin-Poon Japan Co., Ltd. The procedures of liquidation were completed on November 11, 2019.

(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, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income of investee (Notes 2 and 3)	Direct / indirect investment holding percentage	Maximum investment in 2019 (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	3,598,920	(2)	2,549,235	-	-	2,549,235	196,699	100.00%	2,639,250	196,699	5,633,726	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 NTD29.991)

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of 2019	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.	2,549,235	3,748,875	- (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 NTD29.991).

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements for the year ended December 31, 2019, please refer to note 13(a).

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CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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".

Information on reportable segments and reconciliation for the Consolidated Company is as follows:

	2019				
	Taiwan	**China**	**Others**	**Adjustments or elimination**	**Total**
Revenue:					
Revenue from external customers	$ 13,152,855	2,211,579	2,484,064	-	17,848,498
Inter-segment revenues	229,853	4,085,793	277,061	(4,592,707)	-
Interest revenue	25,135	57,063	48,473	(35,589)	95,082
Total revenue	$ 13,407,843	6,354,435	2,809,598	(4,628,296)	17,943,580
Interest expenses	$ 36,482	35,798	24,564	(35,551)	61,293
Depreciation and amortization	$ 572,002	322,327	170,519	-	1,064,848
Reportable segment profit or loss	$ 614,838	355,593	(138,077)	-	832,354

	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

(Continued)

CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2019 and 2018, inter-segment revenues of $4,592,707 thousand and $5,358,598 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		2019	2018
Revenue from external customers:			
Taiwan	$	482,114	629,239
Germany		3,333,596	3,422,099
China		2,104,534	2,520,542
United States		968,892	1,191,323
Hungary		2,924,305	3,667,532
Other counties		8,035,057	8,743,153
Total	$	17,848,498	20,173,888

Geographical information		December 31, 2019	December 31, 2018
Non-current assets:			
Taiwan	$	4,624,511	4,320,794
United States		3,009,704	3,030,950
Thailand		1,011,672	1,071,550
Total	$	8,645,887	8,423,294

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, 2019 and 2018.

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, 2019 and 2018

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.

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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, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 accompanying parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the Parent Company Only financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 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 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 12(b) 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, which was recognized under other gains and losses for the year ended December 31, 2018. The related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of December 31, 2019, the Company received the cumulated amounts of insurance claim amounting to $700,000 thousand. The aforementioned amounts were recognized under other gains and losses amounting to $350,000 thousand, respectively, for the years ended December 31, 2019 and 2018. 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 for the year ended December 31, 2019. 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(f) 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 have to be based on the managements' assessment using internal and external evidences. Therefore, the subsequent measurements of inventories were 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(l), note 5(b) and note 6(r) for the related disclosures on the refund liabilities for sales 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, 2019 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, 2020

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’ audit 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’ audit 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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 3,234,127	15	2,652,228	13
1110	Financial assets measured at fair value through profit and loss－current (note 6(b))	242,951	1	240,306	1
1150	Notes receivable, net (notes 6(d) and 6(r))	10,270	-	5,573	-
1170	Accounts receivable, net (notes 6(d) and 6(r))	2,565,684	12	2,389,755	11
1180	Accounts receivable－related parties, net (notes 6(d), 6(r) and 7)	17,564	-	384,005	2
1200	Other receivables (note 6(e))	34,090	-	43,155	-
1210	Other receivables－related parties (notes 6(e) and 7)	102,901	-	25,963	-
1220	Current income tax assets	113,094	1	113,094	1
130x	Inventories (notes 6(f) and 9)	2,005,413	10	2,131,631	10
1410	Prepayments	49,488	-	49,555	-
1476	Other financial assets－current (note 6(c))	229,957	1	351,140	2
1479	Other current assets	48,961	-	61,483	-
	Total current assets	8,654,500	40	8,447,888	40
15xx	Non-current assets:				
1550	Investments accounted for under equity method (notes 6(g) and 6(h))	8,230,367	37	8,405,586	39
1600	Property, plant and equipment (notes 6(i), 7 and 9)	4,129,901	19	3,997,508	19
1755	Right-of-use assets (note 6(j))	381,331	2	-	-
1840	Deferred tax assets (note 6(o))	144,121	1	136,550	1
1915	Prepayments for equipment (note 9)	113,279	1	323,287	1
1975	Net defined benefit asset－non-current (note 6(n))	110,928	-	65,307	-
1980	Other financial assets－non-current (note 6(c))	8,354	-	8,165	-
	Total non-current assets	13,118,281	60	12,936,403	60
1xxx	**Total assets**	$ 21,772,781	100	21,384,291	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(k) and 9)	$ 1,000,459	5	1,027,513	5
2150	Notes payable	514,231	2	840,259	4
2170	Accounts payable	835,190	4	950,764	4
2180	Accounts payable－related parties (note 7)	1,056,718	5	950,690	4
2200	Other payables (notes 6(n), 6(s) and 7)	895,487	4	957,500	4
2230	Current tax liabilities	5,008	-	-	-
2280	Current lease liabilities (note 6(l))	45,121	-	-	-
2399	Other current liabilities (note 6(r))	676,319	3	581,453	3
	Total current liabilities	5,028,533	23	5,308,179	24
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(o))	668,685	3	628,071	3
2580	Non-current lease liabilities (note 6(l))	339,812	2	-	-
	Total non-current liabilities	1,008,497	5	628,071	3
2xxx	**Total liabilities**	6,037,030	28	5,936,250	27
	Equity (notes 6(h), 6(n) and 6(p)):				
3110	Common stock	3,974,954	18	3,974,954	19
3200	Capital surplus	1,578,800	7	1,568,318	7
3300	Retained earnings:				
3310	Legal reserve	2,335,852	11	2,319,521	11
3320	Special reserve	142,180	1	129,404	1
3350	Unappropriated earnings	8,054,194	37	7,598,024	36
		10,532,226	49	10,046,949	48
3400	Other equity:				
3410	Foreign currency translation differences for foreign operations	(350,229)	(2)	(142,180)	(1)
3xxx	**Total equity**	15,735,751	72	15,448,041	73
2-3xxx	**Total liabilities and equity**	$ 21,772,781	100	21,384,291	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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(r) and 7)**	$ 13,382,708	100	15,425,920	100
5000	**Operating costs (notes 6(f), 6(n) and 7)**	12,389,610	92	14,120,567	92
	Gross profit	993,098	8	1,305,353	8
5910	Less: Unrealized gains (losses) on affiliated transactions	(951)	-	(2,431)	-
	Gross profit	994,049	8	1,307,784	8
6000	**Operating expenses (notes 6(d), 6(n), 6(s) and 7):**				
6100	Selling expenses	320,662	2	342,402	2
6200	Administrative expenses	266,065	2	251,033	2
6300	Research and development expenses	70,810	1	86,058	-
6450	Expected credit loss (reversal of expected credit loss)	(9,879)	-	8,610	-
	Total operating expenses	647,658	5	688,103	4
6900	**Operating income**	346,391	3	619,681	4
7000	**Non-operating income and expenses (notes 6(f), 6(i), 6(l), 6(t), 7 and 12):**				
7010	Other income	179,954	1	270,958	2
7020	Other gains and losses	268,608	2	(885,918)	(6)
7050	Finance costs	(36,482)	-	(32,533)	-
7070	Share of profit from the subsidiaries, the associates and the joint ventures	32,561	-	285,624	2
	Total non-operating income and expenses	444,641	3	(361,869)	(2)
7900	**Income before income tax**	791,032	6	257,812	2
7950	**Less: Income tax expenses (note 6(o))**	130,207	1	94,501	1
	Net income	660,825	5	163,311	1
8300	**Other comprehensive income (notes 6(n), 6(o) and 6(p)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	33,445	-	4,901	-
8330	Share of other comprehensive gains (losses) of subsidiaries, associates, and joint ventures accounted for under equity method	(3,489)	-	(1,502)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	6,689	-	980	-
	Total items that will not be reclassified subsequently to profit or loss	23,267	-	2,419	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation differences for foreign operations	(208,049)	(1)	5,071	-
8399	Income tax related to items that will be reclassified subsequently to profit or loss	-	-	-	-
	Total items that will be reclassified subsequently to profit or loss	(208,049)	(1)	5,071	-
8300	**Other comprehensive income (loss), net of tax**	(184,782)	(1)	7,490	-
	Total comprehensive income	**$ 476,043**	**4**	**170,801**	**1**
9750	**Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$ 1.66**		**0.41**	
9850	**Diluted earnings per share (expressed in New Taiwan dollars) (note 6(q))**	**$ 1.66**		**0.41**	

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, 2019 and 2018

(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, 2018	$ 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 appropriated	-	-	-	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
Appropriation and distribution:										
Legal reserve	-	-	16,331	-	(16,331)	-	-	-	-	-
Special reserve	-	-	-	12,776	(12,776)	-	-	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	-	-	(198,748)
Net income for the year	-	-	-	-	660,825	660,825	-	-	-	660,825
Other comprehensive income for the year	-	-	-	-	23,267	23,267	(208,049)	-	(208,049)	(184,782)
Total comprehensive income for the year	-	-	-	-	684,092	684,092	(208,049)	-	(208,049)	476,043
Changes in ownership interests in subsidiaries	-	10,482	-	-	(67)	(67)	-	-	-	10,415
Balance at December 31, 2019	**$ 3,974,954**	**1,578,800**	**2,335,852**	**142,180**	**8,054,194**	**10,532,226**	**(350,229)**	**-**	**(350,229)**	**15,735,751**

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, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Income before tax	$ 791,032	257,812
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	572,002	532,654
Expected credit loss (reversal of expected credit loss)	(9,879)	8,610
Net gain on financial assets measured at fair value through profit or loss	(2,645)	(4,418)
Interest expense	36,482	32,533
Interest income	(25,135)	(36,822)
Dividend income	-	(759)
Share of gain of associates and joint ventures accounts for under equity method	(32,561)	(285,624)
Loss (gain) on disposal of property, plant and equipment	(339)	2,445
Loss on disposal of investments	4,265	-
Unrealized gain on affiliated transactions	(951)	(2,431)
Unrealized loss on foreign exchange	1,771	6,944
Loss from calamity	-	902,744
Total adjustments to reconcile profit and loss	543,010	1,155,876
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Notes receivable	(4,697)	6,715
Accounts receivable	(224,012)	630,176
Accounts receivable-related parties	366,441	(86,526)
Other receivables	9,300	(1,360)
Other receivables-related parties	18,133	(15,832)
Inventories	126,218	320,037
Prepayments	67	2,523
Other current assets	12,522	(92,522)
Total net changes in operating assets	303,972	763,211
Net changes in operating liabilities:		
Notes payable	(326,028)	(125,427)
Accounts payable	(109,935)	(316,446)
Accounts payable－related parties	126,303	272,642
Other payables	(34,929)	(384,104)
Provisions－current	-	(497,766)
Other current liabilities	105,807	477,156
Net defined benefit liability	(12,176)	(52,398)
Total net changes in operating liabilities	(250,958)	(626,343)
Total net changes in operating assets and liabilities	53,014	136,868
Total adjustments	596,024	1,292,744
Cash inflow generated from operations	1,387,056	1,550,556
Interest income received	24,568	36,758
Interest paid	(27,108)	(31,259)
Income tax paid	(98,845)	(427,789)
Net cash flows from operating activities	1,285,671	1,128,266
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
Acquisition of investments accounted for under equity method	(846)	-
Acquisition of property, plant and equipment	(274,782)	(180,797)
Proceeds from disposal of property, plant and equipment	780	11,416
Increase in other receivables－related parties	(89,973)	-
Decrease in other financial assets－current and non-current	106,104	5,573
Increase in prepayments for equipment	(201,415)	(323,922)
Dividend received	-	386,115
Net cash flows used in investing activities	(460,132)	(84,854)
Cash flows from financing activities::		
Increase in short-term loans	2,439,572	3,377,278
Decrease in short-term loans	(2,432,977)	(4,027,446)
Payment of lease liabilities	(51,487)	-
Cash dividends paid	(198,748)	(894,365)
Net cash flows used in financing activities	(243,640)	(1,544,533)
Net (decrease) increase in cash and cash equivalents	581,899	(501,121)
Cash and cash equivalents at beginning of period	2,652,228	3,153,349
Cash and cash equivalents at end of period	$ 3,234,127	2,652,228

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, 2019 and 2018

(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

These accompanying parent company only financial statements were approved and authorized for issue by the board of directors on March 20, 2020.

(3) Application of new and revised 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 parent company only 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, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued 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
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

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Except IFRS 16 "Leases", the adoption of abovementioned standards and interpretations has not had a material impact on the parent company only financial statements.

IFRS 16 "Leases" ("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".

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized on January 1, 2019. The extent and impact of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(j).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed at or after the date of initial application.

(ii) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded on the balance sheet.

The Company decided to apply the recognition exemptions to the short-term leases of its office equipment and leases of computer equipment.

At transition, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to lease liabilities at the date of initial application.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iii) Impacts on financial statements

On transition to IFRS 16, the Company recognized its right-of-use assets and lease liabilities amounting to $397,621 thousands at the date of initial application. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019, wherein the weighted-average rate applied is 2.15%.

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application is presented as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's parent company only financial statements	$ 144,002
Extension and termination options reasonably certain to be exercised	294,757
	$ 438,759
Discounted using the incremental borrowing rate at January 1, 2019	$ 397,621
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 397,621**

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

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from 2020. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date issued per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the initial adoption of the abovementioned standards would not have any material impact on its parent company only financial statements.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(c) The IFRSs 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 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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. Except for those specially indicated, 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)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(c) Foreign currency transactions

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 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(f) Financial instruments

(i) Financial assets

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. 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 receivables, refundable deposits and other financial assets, etc.).

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

Loss allowance for notes and accounts receivable 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 when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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 liabilities and equity instruments

1) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

2) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to shares capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized 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.

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

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 remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, 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.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term loans, accounts payable 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 and foreign exchange gains and losses are recognized in profit and loss.

4) 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.

5) 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.

(iii) Derivative financial instruments

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 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.

(Continued)

(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.

(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 expenditure

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.

(Continued)

(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:

Buildings	8~60 years
Machinery equipment	2~8 years
Other equipment	2~20 years
Leasehold equipment	5~30 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

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term and in future lease payments the lease liability is remeasured, the Company remeasures the lease liabilities with a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

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-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 it's 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.

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(l) Revenue recognition

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:

(i) 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.

(ii) 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.

(m) 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.

(Continued)

(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.

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.

(Continued)

(n) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous 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 taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) levied by the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(Continued)

(o) 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.

(p) 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.

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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(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, 2019	December 31, 2018
Cash on hand	$ 1,716	3,589
Demand deposits	3,011,066	2,643,336
Time deposits	220,368	4,303
Checking deposits	977	1,000
Cash and cash equivalents per statements of cash flow	$ 3,234,127	2,652,228

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

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Current:		
Beneficiary certification	$ 242,951	240,306

Please refer to note 6(t) for net gains or losses from financial assets measured at fair value through profit or loss.

As of December 31, 2019 and 2018, the Company did not pledge its financial assets measured at fair value through profit or loss as collateral.

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CHIN-POON INDUSTRIAL CO., LTD.
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(c) Other financial assets

		December 31, 2019	December 31, 2018
Current:			
Bank's time deposit	$	229,957	351,140
Non-current:			
Refundable deposits		8,354	8,165
Total	$	238,311	359,305

As of December 31, 2019 and 2018, the Company did not pledge its other financial assets as collateral.

(d) Notes receivable and accounts receivable (related parties included)

		December 31, 2019	December 31, 2018
Notes receivable	$	10,270	6,267
Accounts receivable		2,645,026	2,478,282
Accounts receivable－related parties		17,564	384,005
Less: loss allowance		79,342	89,221
	$	2,593,518	2,779,333

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 receivable. 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.

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.

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CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company's analysis of the expected credit losses on its notes and accounts receivable of unrelated parties was as follows:

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	$ 2,527,320	0.0545%	1,376
Past due 1~30 days	41,467	2.3924%	992
Past due 31~60 days	7,035	10.7554%	757
Past due 61~90 days	2,987	28.1910%	842
Past due 91~120 days	636	36.5139%	232
Past due 121 to 180 days	1,201	41.0494%	493
Past due over 180 days	74,650	100%	74,650
	$ 2,655,296		79,342

	December 31, 2018		
	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	238	100%	238
Past due 121 to 180 days	2,902	100%	2,902
Past due over 180 days	72,840	100%	72,840
	$ 2,484,549		89,221

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

	2019	2018
Balance at beginning of the period	$ 89,221	80,611
Impairment loss recognized (reversed)	(9,879)	8,610
Balance at end of the period	$ 79,342	89,221

As of December 31, 2019 and 2018, the Company had not provided the notes and accounts receivable (related parties included) as collateral or factored them for cash.

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(e) Other receivables (related parties included)

	December 31, 2019	December 31, 2018
Other receivables	$ 35,148	44,213
Other receivables－related parties	102,901	25,963
Less: loss allowance	1,058	1,058
	$ 136,991	69,118

As of December 31, 2019 and 2018, 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(u).

(f) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 1,103,130	1,264,149
Work in progress	735,525	684,686
Raw materials	166,758	182,796
	$ 2,005,413	2,131,631

For the years ended December 31, 2019 and 2018, the Company recognized the amounts of $231,029 thousand and $309,246 thousand, respectively, as reductions of operating cost due to the disposal of scrap materials. For the years ended December 31, 2019 and 2018, the Company recognized the (gains) losses on inventory valuation of $(1,850) thousand and $73,945 thousand, respectively, by writing down the value of their inventories to net realizable value.

The Company reversed the allowance for loss on inventory for the year ended December 31, 2019, when the Company sold or used the inventories for which an allowance had been provided for the year ended December 31, 2018.

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 the year ended December 31, 2018.

As of December 31, 2019 and 2018, the Company did not pledge its inventories as collateral.

(g) 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, 2019	December 31, 2018
Subsidiaries	$ 8,230,367	8,405,586

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

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(i) Subsidiaries

Please refer to the consolidated financial statements of 2019.

ii) Collateral

As of December 31, 2019 and 2018, the Company did not pledge any collateral on investments accounted for under the equity method.

(h) Changes in subsidiaries' equity

In July 2019, the Company acquired the interests of 283 thousand shares in Draco PCB Public Co., Ltd ("Draco") and from its non-related parties, spending $846 thousand, and increasing its ownership from 99.58% to 99.65%. For the year ended December 31, 2019, the Company recognized the amount of $67 thousand as a reduction of its retained earnings.

Due to the issued and paid date of convertible bonds payable issuing by Draco was on August 19, 2019, causing the changes in non-controlling interests. The Company recognized the amount of $10,482 thousand in capital surplus, resulting from abovementioned transaction.

The change in the subsidiary's equity attributed to the Company was as follows:

	December 31, 2019
Carrying amount of non-controlling interest on acquisition	$ 779
Consideration paid to non-controlling interests	(846)
Differences between consideration and carrying amounts of subsidiaries acquired	**$ (67)**

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 Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	**Buildings**	**Machinery equipment**	**Other equipment**	**Leasehold improvement**	**Construction in progress**	**Total**
Cost:							
Balance at January 1, 2019	$ 718,069	2,020,025	6,901,781	1,612,306	17,124	-	11,269,305
Additions	-	21,202	166,810	50,089	5,943	2,460	246,504
Disposals	-	-	(38,121)	(1,029)	-	-	(39,150)
Reclassification	-	5,637	355,182	33,689	16,915	-	411,423
Balance at December 31, 2019	**$ 718,069**	**2,046,864**	**7,385,652**	**1,695,055**	**39,982**	**2,460**	**11,888,082**
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**

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CHIN-POON INDUSTRIAL CO., LTD.

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		Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress	Total
Accumulated depreciation and impairment loss:								
Balance at January 1, 2019	$	-	821,446	5,336,402	1,109,738	4,211	-	7,271,797
Depreciation		-	29,606	386,714	104,287	4,486	-	525,093
Disposals		-	-	(37,767)	(942)	-	-	(38,709)
Balance at December 31, 2019	$	-	851,052	5,685,349	1,213,083	8,697	-	7,758,181
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
Carrying amount:								
Balance at December 31, 2019	$	718,069	1,195,812	1,700,303	481,972	31,285	2,460	4,129,901
Balance at December 31, 2018	$	718,069	1,198,579	1,565,379	502,568	12,913	-	3,997,508
Balance at January 1, 2018	$	718,069	1,431,635	1,961,201	607,669	11,716	331	4,730,621

(i) Loss and gain on disposal

For the years ended December 31, 2019 and 2018, the Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(t).

(ii) Impairment loss

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

		2019	2018
Balance at beginning of the period	$	443,234	-
Impairment loss recognized during the period		-	443,234
Balance at end of the period	$	443,234	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 the year ended December 31, 2018.

(iii) Collateral

As of December 31, 2019 and 2018, the Company did not pledge its property, plant and equipment as collateral.

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(j) Right-of-use assets

The Company leases its assets including its buildings. Information about leases for which the Company as a lessee is as follows:

	Buildings
Cost:	
Balance at January 1, 2019	$ -
Effects of retrospective application	397,621
Balance at January 1, 2019 after retrospective	397,621
Additions	30,619
Balance at December 31, 2019	$ 428,240
Accumulated depreciation:	
Balance at January 1, 2019	$ -
Depreciation	46,909
Balance at December 31, 2019	$ 46,909
Carrying amount:	
December 31, 2019	$ 381,331

The Company leases factory facilities and parking space under operating leases for the year ended December 31, 2018, please refer to note 6(m).

(k) Short-term loans

(i) The details, terms and clauses of the Company's short-term loans were as follows:

	December 31, 2019			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	2.56~3.28	2020	$ 899,730
Unsecured loans	EUR	0.54	2020	100,729
Total				$ 1,000,459

	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

As of December 31, 2019 and 2018, the unused credit facilities of the Company's short-term loans amounted to $2,429,792 thousand and $2,411,386 thousand, respectively.

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

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(ii) Collateral of loans

As of December 31, 2019 and 2018, the Company did not pledge its assets as collateral of short-term loans.

(l) Lease liabilities

The carrying amounts of lease liabilities for the Company were as follow:

	December 31, 2019
Current	$ 45,121
Non-current	$ 339,812

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 8,180
Expenses relating to short-term leases	$ 164
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 3,434

The amount recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	$ 63,265

(m) Operating leases

As of December 31, 2018, the Company's non-cancellable rental payables of operating leases were as follows:

	December 31, 2018
Less than one year	$ 46,872
Between one and five years	97,130
	$ 144,002

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 year ended December 31, 2018, lease costs and expenses were $52,130 thousand.

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(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, 2019	December 31, 2018
Present value of the defined benefit obligations	$	352,648	388,781
Fair value of plan assets		(463,576)	(454,088)
Net defined benefit asset	$	(110,928)	(65,307)

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.

The Company's Bank of Taiwan and Chunghwa Post Co., Ltd. labor pension reserve account balance amounted to $428,068 thousand and $35,508 thousand, respectively, as of December 31, 2019. 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, 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligation at January 1	$	388,781	447,621
Current service costs and interest		7,311	10,454
Remeasurements of the net defined benefit asset			
－Actuarial gains and losses arising from changes in financial assumptions		(20,415)	5,024
Past service cost and settlement gains		-	(40,401)
Benefits paid		(23,029)	(33,917)
Defined benefit obligation at December 31	$	352,648	388,781

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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, 2019 and 2018 were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 454,088	455,629
Remeasurements of the net defined benefit asset		
－The return on plan assets (excluding amounts included in the interest during this period)	6,055	7,133
－Actuarial gains and losses arising from changes in financial assumptions	13,030	9,925
Contributions made	13,432	15,318
Benefits paid	(23,029)	(33,917)
Fair value of plan assets at December 31	**$ 463,576**	**454,088**

4) Expenses recognized in profit or loss

The Company's expenses recognized on profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Current service costs	$ 2,222	3,545
Net interest on the defined benefit asset	(966)	(224)
Past service cost and settlement gains	-	(40,401)
	$ 1,256	**(37,080)**

	2019	2018
Operating costs	$ 930	2,110
Selling expenses	71	264
Administration expenses	221	807
Research and development expenses	34	140
	$ 1,256	**3,321**

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.

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

The Company's remeasurements of the net defined benefit asset recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Cumulative amount at January 1	$	6,712	11,613
Recognized during the period		(33,445)	(4,901)
Cumulative amount at December 31	$	(26,733)	6,712

6) Actuarial assumptions

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

	2019.12.31	2018.12.31
Discount rate	0.750%~1.125%	1.000%~1.375%
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 $13,116 thousand.

The Company's weighted average duration of the defined benefit obligation of employee and manager are 17.88 years and 7.81 years, respectively.

7) Sensitivity analysis for actuarial assumption

As of December 31, 2019 and 2018, 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, 2019			
Discount rate (changes 0.25%)	$	(12,093)	12,635
Future salary increase rate (changes 0.25%)		12,429	(11,958)
At December 31, 2018			
Discount rate (changes 0.25%)		(13,679)	14,319
Future salary increase rate (changes 0.25%)		14,140	(13,577)

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 asset is the same.

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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 $84,603 thousand and $96,134 thousand for the years ended December 31, 2019 and 2018, respectively.

(iii) Short-term employee benefit

		December 31, 2019	December 31, 2018
Annual leave benefit (recorded under other payables)	$	33,134	36,168

(o) Income taxes

(i) Income tax expense

The amounts of the Company's income tax for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense (benefit)			
Current period	$	89,283	111,388
Surtax on unappropriated retained earnings		-	33,634
Adjustment for prior periods		14,570	(147,185)
		103,853	(2,163)
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		26,354	(116,832)
Adjustment for prior deferred tax		-	143,988
Adjustment in tax rate		-	69,508
		26,354	96,664
Income tax expenses from continuing operations	$	130,207	94,501

The amounts of the Company's income tax expense recognized under other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Items that may not be reclassified into profit and loss:			
Remeasurements of defined benefit plan	$	6,689	(980)

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Reconciliations of the Company's income tax expense (benefit) and income before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Income before tax	$ 791,032	257,812
Income tax using the Company's domestic tax rate	$ 158,206	51,562
Dividend income	-	152
Adjustment in tax rate	-	69,508
Under-estimate (over-estimate) of prior years' income tax	14,570	(3,197)
Gain on valuation of financial assets at fair value through profit or loss	(529)	(884)
Loss (gain) from investment using equity method	25,273	(181,508)
Surtax on unappropriated retained earnings	-	33,634
Adjustments according to tax law	(67,062)	117,818
Others	(251)	7,416
Total	$ 130,207	94,501

(ii) Deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

Deferred tax assets:

	Allowance for inventory devaluation loss	Loss allowance	Refund liabilities	Unrealized exchange loss	Total
Balance at January 1, 2019	$ 16,580	20,877	97,749	1,344	136,550
Recognized in profit or loss	(4,004)	(1,585)	10,615	2,545	7,571
Balance at December 31, 2019	$ 12,576	19,292	108,364	3,889	144,121
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

Deferred tax liabilities:

	Gain from investment using equity method	Defined benefit plans	Others	Total
Balance at January 1, 2019	$ 614,524	13,061	486	628,071
Recognized in profit or loss	31,786	2,435	(296)	33,925
Recognized in other comprehensive income	-	6,689	-	6,689
Balance at December 31, 2019	$ 646,310	22,185	190	668,685

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	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**

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2017.

(p) Share capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, 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, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 630,382	630,382
Conversion of convertible bonds ordinary shares	937,936	937,936
Changes in equity of subsidiaries	10,482	-
	$ 1,578,800	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)

(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. In accordance with Rule No. 10802432410 issue by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to applied the profit distribution based on its financial statements in 2019, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

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 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.

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The appropriations of 2018 and 2017 earnings have been approved by the Company's shareholders in its meetings held on June 27, 2019, and June 29, 2018, respectively. The appropriations and dividends per share were as follows:

	2018			2017	
	Amount per share (NT dollars)		Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:					
Cash	$	0.50	198,748	2.25	894,365

On March 20, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019 (Proposed)		
	Amount per share (NT dollars)		Total amount
Dividends distributed to common shareholders:			
Cash	$	1	397,495

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign		Available-for-sale financial assets	Total
Balance at January 1, 2019	$	(142,180)	-	(142,180)
Foreign exchange differences arising from foreign operation		(208,049)	-	(208,049)
Balance at December 31, 2019	$	(350,229)	-	(350,229)
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)

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(q) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

(i) Basic EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 660,825	163,311
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Basic EPS (New Taiwan dollars)	$ 1.66	0.41

(ii) Diluted EPS

	2019	2018
Net income attributable to common shareholders of the Company	$ 660,825	163,311
Weighted-average number of common shares outstanding (thousand shares)	397,495	397,495
Influence of potentially dilutive shares－		
Remuneration to employees (thousand shares)	537	471
Weighted-average number of shares outstanding－diluted (thousand shares)	398,032	397,966
Diluted EPS (New Taiwan dollars)	$ 1.66	0.41

(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 years ended December 31, 2019 and 2018 were as follows:

	2019	2018
United States	$ 3,161,264	3,168,277
Germany	1,815,877	2,200,371
China	1,583,501	2,100,978
Japan	922,193	521,609
Hungary	908,130	1,091,663
Others	4,991,743	6,343,022
	$ 13,382,708	15,425,920

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(ii) Contract balance

		December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$	10,270	6,267	12,982
Accounts receivable		2,645,026	2,478,282	3,112,717
Accounts receivable－related parties		17,564	384,005	297,479
Less: loss allowance		79,342	89,221	80,611
Total	$	2,593,518	2,779,333	3,342,567

For the details on accounts receivable and allowance for impairment, please refer to note 6(d).

(iii) Refund liabilities (recorded under other current liabilities)

		December 31, 2019	December 31, 2018
Sales return and discount	$	541,818	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) 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, 2019 and 2018, the Company accrued and estimated the remuneration to employee amounting to $16,239 thousand and $5,313 thousand, respectively, and directors amounting to $4,680 thousand and $2,680 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 expenses during 2019 and 2018. 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 2019 and 2018.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(t) Non-operating income and expenses

(i) Other income

The details of the Company's other income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Interest income	$	25,135	36,822
Rental income		840	840
Dividend income		-	759
Gains on writ-off from accrued expense		-	4,975
Other income－other			
Compensation income		45,305	57,053
Others		108,674	170,509
Subtotal other income－other		153,979	227,562
Total Other income	$	179,954	270,958

(ii) Other gains and losses

The details of the Company's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Gain (loss) on disposal of property, plant and equipment	$	339	(2,445)
Loss on disposal of investments		(4,265)	-
Net on foreign exchange gain (loss)		(25,219)	53,581
Gain on financial assets measured at fair value through profit and loss		2,645	4,418
Miscellaneous disbursements		(54,892)	(461,452)
Other gains and losses		350,000	(480,020)
Other gains and losses, net	$	268,608	(885,918)

(iii) Finance costs

The details of the Company's finance costs for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Interest expense	$	36,482	32,533

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(u) 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 $6,202,947 thousand and $5,859,984 thousand as at December 31, 2019 and 2018, respectively.

2) Concentration of credit risk

For the years ended December 31, 2019 and 2018, the Company's counterparties of accounts receivable transaction mainly locate in the United States, China, and Germany. As of December 31, 2019 and 2018, the balance of accounts receivable from those regions accounted for 45% and 55%, 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(d).

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 months expected losses.

(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, 2019						
Non-derivative financial liabilities						
Unsecured loans	$ 1,000,459	1,006,668	1,006,668	-	-	-
Notes payable	514,231	514,231	514,231	-	-	-
Accounts payable (related parties included)	1,891,908	1,891,908	1,891,908	-	-	-
Other payables	435,792	435,792	435,792	-	-	-
Lease liabilities	384,933	421,426	52,953	52,715	146,161	169,597
	$ 4,227,323	4,270,025	3,901,552	52,715	146,161	169,597
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	1,901,454	1,901,454	-	-	-
Other payables	517,533	517,533	517,533	-	-	-
	$ 4,286,759	4,298,073	4,298,073	-	-	-

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

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, 2019			December 31, 2018		
	Foreign currency (in thousands)	**Exchange rate**	**Amount**	**Foreign currency (in thousands)**	**Exchange rate**	**Amount**
Financial assets:						
Monetary items:						
USD	$ 101,941	29.9910	3,057,312	108,082	30.7340	3,321,791
JPY	1,053,007	0.2756	290,209	593,270	0.2772	164,455
EUR	8,294	33.5762	278,487	5,920	35.1644	208,170
THB	2,796	1.0047	2,809	3,635	0.9481	3,446
CNY	137,038	4.2925	588,237	87,644	4.4770	392,382
Financial liabilities:						
Monetary items:						
USD	70,854	29.9910	2,124,971	66,412	30.7340	2,041,099
JPY	13,441	0.2756	3,704	9,195	0.2772	2,549
EUR	4,809	33.5762	161,479	5,659	35.1644	199,009
CNY	3,354	4.2925	14,396	1,569	4.4770	7,023

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 NTD against the USD, JPY, EUR, THB and CNY as of December 31, 2019 and 2018, would have increased or decreased the net income before tax by $19,125 thousand and $14,725 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 types 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 $(25,219) thousand and $53,581 thousand for the years ended December 31, 2019 and 2018, respectively.

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CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(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 $5,501 thousand and $6,721 thousand, for the years ended December 31, 2019 and 2018, respectively. This was mainly due from the Company's loans and time deposits on floating rates.

(v) Fair value information

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required :

	December 31, 2019				
	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	$ 242,951	242,951	-	-	242,951
Financial assets measured at amortized cost					
Cash and cash equivalents	3,234,127	-	-	-	-
Notes and accounts receivable	2,593,518	-	-	-	-
Other receivables	136,991	-	-	-	-
Other financial assets －current and non-current	238,311	-	-	-	-
Subtotal	6,202,947	-	-	-	-
Total	$ 6,445,898	242,951	-	-	242,951

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	$ 1,000,459	-	-	-	-
Notes and accounts payable (related parties included)	2,406,139	-	-	-	-
Other payables	435,792	-	-	-	-
Lease liabilities	384,933	-	-	-	-
Total	$ 4,227,323	-	-	-	-

	December 31, 2019				
	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	-	-	-	-
Notes and accounts 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)

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

If financial instrument has 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).

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, 2019 and 2018.

(v) 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.

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(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 framework's operations regularly.

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 and the 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.

(Continued)

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, 2019 and 2018, are disclosed in note 7 "related-party transactions".

(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 $2,429,792 thousand and $2,411,386 thousand, respectively, as of December 31, 2019 and 2018.

(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 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.

(w) 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.

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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, 2019	December 31, 2018
Total liabilities	$ 6,037,030	5,936,250
Less: cash and cash equivalents	3,234,127	2,652,228
Net debt	$ 2,802,903	3,284,022
Total equity	$ 15,735,751	15,448,041
Debt-to-capital ratio	18%	21%

As of December 31, 2019, there was no changes in the Company's approach of capital management.

(x) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2019 and 2018 was as follows:

			Non-cash changes			
	January 1, 2019	Cash flows	Acquisition of right-of-use assets	Foreign exchange movement	Interest expenses	December 31, 2019
Short-term loans	$ 1,027,513	6,595	-	(33,649)	-	1,000,459
Lease liabilities	397,621	(51,487)	30,619	-	8,180	384,933
Total liabilities from financing activities	$ 1,425,134	(44,892)	30,619	(33,649)	8,180	1,385,392

		Cash flows		Non-cash changes		
	January 1, 2018	Increase in short-term loans	Decrease in short-term loans	Foreign exchange movement	Fair value changes	December 31, 2019
Short-term loans	$ 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 (The procedures of liquidation were completed on November 11, 2019)
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:

		2019	2018
Subsidiaries:			
Chin-Poon Holdings Cayman Limited	$	33,572	192,021
Chin Poon Japan Co., Ltd.		123,903	170,118
Chin-Poon (Changshu) Electronic Co., Ltd.		66,079	307,308
Other subsidiaries		6,299	22,673
	$	229,853	692,120

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 expected credit loss was required after the assessment by the management.

(ii) Purchases

The amounts of significant purchase transactions between the Company and its related parties were as follows:

		2019	2018
Subsidiaries			
Chin-Poon (Changshu) Electronic Co., Ltd.	$	3,489,866	3,373,025
Draco PCB Public Co., Ltd.		220,298	256,789
	$	3,710,164	3,629,814

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:

		2019	2018
Subsidiaries	$	30,083	20,814

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(iv) Lending to related parties

The information for the Company loans to its related parties were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries		
Draco PCB Public Co., Ltd.	$ 89,973	-

For the year ended December 31, 2019, the interest income received by the Company from its related parties amounted to $1,258 thousand. The interest receivables resulting from the aforementioned transactions was $756 thousand as of December 31, 2019. The Company did not lend to its related parties for the year ended December 31, 2018.

(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, 2019	December 31, 2018
Accounts receivable	Subsidiaries:		
	Chin-Poon Holdings Cayman Limited	$ -	43,997
	Draco PCB Public Co., Ltd.	917	15,823
	Chin-Poon (Changshu) Electronic Co., Ltd.	16,647	268,565
	Chin Poon Japan Co., Ltd.	-	55,620
Other receivable	Subsidiaries		
	Draco PCB Public Co., Ltd.	97,091	18,759
	Other subsidiaries	5,810	7,504
		$ 120,465	410,268

(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, 2019	December 31, 2018
Accounts payable	Subsidiaries:		
	Chin-Poon (Changshu) Electronic Co., Ltd.	$ 1,015,767	912,001
	Draco PCB Public Co., Ltd.	40,951	38,689
Other payables	Subsidiaries	164	4,417
		$ 1,056,882	955,107

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

(vii) Guarantees

	December 31, 2019	December 31, 2018
Subsidiaries		
Chin-Poon Holdings Cayman Limited	$ 599,820	-
Draco PCB Public Co., Ltd.	479,856	307,340
	$ 1,079,676	307,340

For the years ended December 31, 2019 and 2018, the Company received the commission income of $1,390 thousand and $730 thousand, respectively, from the aforementioned transaction. The commission income was recorded under non-operating income and expenses －other income.

(d) Management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 41,219	33,374
Post-employment benefits	894	916
	$ 42,113	34,290

For the years ended December 31, 2019 and 2018, the Company provided five vehicles at cost of $3,268 thousand and six vehicles at cost of $3,778 thousand, respectively, for key management personnel.

(8) Pledged Assets: None.

(9) Significant commitments and contingencies

(a) As of December 31, 2019 and 2018, the Company had outstanding letters of credit for purchase of material and equipment amounting approximately to $0 thousand and $2,183 thousand, respectively, on which the Company paid no deposits.

(b) As of December 31, 2019 and 2018, the Company provided guarantee notes amounting to $696,400 thousand and $1,376,400 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 as of December 31, 2019 and 2018.

(c) For expanding the factory, the Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was $216,538 thousand and $580,272 thousand as of December 31, 2019 and 2018, respectively, of which the Company had paid $113,279 thousand and $310,940 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.

(Continued)

(d) On February 25, 2019, the Company received an indictment, with case number 108-Zhen-829 and 108-Zhen-2491, from the Taoyuan District Prosecutors 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. On April 17, 2019, the chairman and the said employees received a notice from criminal court of Taoyuan District Court and 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.

(10) Significant losses from calamity: None.

(11) Significant subsequent events

(a) A resolution was passed during the board of directors of Draco PCB Public Co., Ltd. held on March 12, 2020, for increasing capital by cash amounting to THB 300,000 thousand, in order to repay the debts and improve its financial structure.

(b) The appropriation of 2019 earnings please refer to note 6(p).

(12) Other

(a) A summary of employee benefit expenses, depreciation, depletion and amortization by function, were as follows:

By function	Year ended December 31 2019			Year ended December 31 2018		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	2,032,848	226,682	2,259,530	2,273,574	187,154	2,460,728
Labor and health insurance	207,720	16,783	224,503	222,328	16,130	238,458
Pension	74,767	11,092	85,859	88,264	11,191	99,455
Directors' remuneration	-	11,118	11,118	-	5,320	5,320
Others	69,228	9,273	78,501	83,714	8,870	92,584
Depreciation	543,471	28,531	572,002	525,470	7,184	532,654
Amortization	-	-	-	-	-	-

The Company's number of employees and additional information on employee benefits for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Number of employees	3,668	3,736
Number of non-employees directors	9	8
Average employees benefit	$ 724	776
Average salary	$ 618	660
Adjustment of mployees' average salary	(6.36)%	

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

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.

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).

(b) 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, which was recognized under other gains and losses for the year ended December 31, 2018. The related properties mentioned above were insured, its claim is still under negotiation with the insurance companies. As of December 31, 2019, the Company received the cumulated amounts of insurance claim amounting to $700,000 thousand. The aforementioned amounts were recognized under other gains and losses amounting to $350,000 thousand, respectively, for the years ended December 31, 2019 and 2018. 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.

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only 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 Company in 2019:

(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 3)	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		
0	CHIN-POON INDUSTRIAL CO., LTD.	Draco PCB Public Co., Ltd.	Other receivables－related parties	Yes	252,840	239,928	89,973	3.33513 ~ 3.84975	2	-	Operating capital	-		-	6,294,300 (Note 2)	6,294,300 (Note 2)
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables－related parties	Yes	948,150	899,730	899,730	3.33513 ~ 4.05763	2	-	Operating capital	-		-	3,559,842 (Note 1)	3,559,842 (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 Industrial Co., Ltd.

Note 2: The total amount lending to the subsidiaries and each borrowing company shall not be over 40% of the net worth of Chin Poon Holdings Cayman Limited.

Note 3: 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.	Chin Poon Holdings Cayman Limited	3	3,147,150	632,100	599,820	-	-	3.81%	3,933,938	Y	N	N
0	CHIN-POON INDUSTRIAL CO., LTD.	Draco PCB Public Co., Ltd.	2	3,147,150	505,680	479,856	179,946	-	3.05%	3,933,938	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 securities 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, 2019 (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	112,314	- %	112,314	
The Company	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss－current	9,549,204	99,112	- %	99,112	
The Company	Allianz Glbl Inv Global Bd A	-	Financial assets at fair value through profit or loss－current	2,516,420	31,525	- %	31,525	
Chin-Poon (Changshu) Electronic Co., Ltd	CR Yuanta Cash Earnings	-	Financial assets at fair value through profit or loss－current	140,000,000	601,219	- %	601,219	

(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	
					Units	Amount	Units	Amount	Units	Price	Cost	Disposal gain	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	-	180,000,000	806,032	140,000,000	625,812	180,000,000	817,691	772,654	(12,934)	140,000,000	601,219

(Continued)

CHIN-POON INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(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.

(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 1)	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance (Note 1)	Percentage of total accounts / notes receivable (payable)	
The Company	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	3,489,866	42.58 %	Note 1	Note 1	Note 1	(1,015,767)	(42.22)%	
Chin-Poon (Changshu) Electronic Co., Ltd	The Company	Ultimate parent company	(Sale)	(3,489,866)	(54.84) %	Note 1	Note 1	Note 1	1,015,767	57.85%	
Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Subsidiaries	Purchase	531,397	87.40 %	Note 1	Note 1	Note 1	-	-%	
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent company	(Sale)	(531,397)	(8.35) %	Note 1	Note 1	Note 1	-	-%	
Chin-Poon Japan Co., Ltd.	The Company	Parent company	Purchase	123,903	98.40 %	Note 1	Note 1	Note 1	-	-%	
The Company	Chin-Poon Japan Co., Ltd.	Subsidiaries	(Sale)	(123,903)	(0.91) %	Note 1	Note 1	Note 1	-	-%	
The Company	Draco PCB Public Co., Ltd.	Subsidiaries	Purchase	220,298	2.69 %	Note 1	Note 1	Note 1	(40,951)	(1.70)%	
Draco PCB Public Co., Ltd.	The Company	Parent company	(Sale)	(220,298)	(11.23) %	Note 1	Note 1	Note 1	40,951	11.25%	

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	1,015,767	3.62%	-		632,833 (As at February 28, 2020)	-
Chin-Poon (Changshu) Electronic Co., Ltd	Chin Poon Holdings Cayman Limited	Parent-company	907,232 (Note 1)	-%	-		7,502 (As at February 28, 2020)	-

Note 1: Included principle $899,730 thousand and other receivables of interest $7,502 thousand.

(ix) Trading in derivative instruments:

The Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2019, Draco PCB Public Co., Ltd. reported the following derivatives financial instruments as financial liabilities at fair value through or loss profit without the application of hedge accounting.

	December 31, 2019			
	Contract amount (in thousands)	**Currency**	**Expiry date**	**Fair value assets**
Forward Contracts	$ 2,694	USD	2020.3	135

(b) Information on investees

The following is the information on investees for the year ended December 31, 2019 (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 (loss)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value			
The Company	VEGA International Enterprise Co., Ltd.	British Virgin Islands	Investment	3,070,205	3,070,205	131,242,925	100.00%	7,119,686	254,155	254,155	Subsidiary (Note 1)
The Company	Chin Poon Japan Co., Ltd.	Japan	Trading of printed circuit board	-	3,229	-	- %	-	1,195	1,195	Subsidiary (Note 3)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	1,763,693	1,762,846	417,043,785	99.65%	1,110,681	(223,642)	(222,789)	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%	7,119,686	254,155	254,155	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 were audited by on international accounting firm in cooperation with the R.O.C. accounting firm.

Note 3: A resolution was passed during the board of directors meeting held on March 20, 2019 and decided May 21, 2019 as the date of liquidation for Chin-Poon Japan Co., Ltd. The procedures of liquidation were completed on November 11, 2019.

(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, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	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	3,598,920	(2)	2,549,235	-	-	2,549,235	196,699	100.00%	196,699	5,633,726	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 NTD29.9910).

(ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
2,549,235	3,748,875	- (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 NTD29.9910).

(iii) Significant transactions:

The Company's significant indirect and direct transactions with investment in Mainland China for the year ended December 31, 2019, please refer to note 13(a).

(14) Segment information

Please refer to the year 2019 consolidated financial statements.

Chin-Poon Industrial Co., Ltd.

Statement of cash and cash equivalents

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount
Cash and cash equivalents		$ 1,716
Bank deposits	Demand deposits	$ 1,923,508
	Foreign currency deposits	
	USD 21,635 thousand @29.9910	648,863
	EUR 5,760 thousand @33.5762	193,393
	JPY 810,935 thousand @0.2756	223,494
	RMB 4,426 thousand @4.2925	18,999
	THB 2,796 thousand @1.0047	2,809
	Time deposits (interest rate at 1.31%~ 2.27%)	
	USD 910 thousand @29.9910	27,292
	RMB 44,980 thousand @4.2925	193,076
	Checking deposit	977
	Subtotal	3,232,411
		$ 3,234,127

Chin-Poon Industrial Co., Ltd.

Statement of financial assets measured at fair value through profit or loss - current

For the year ended December 31, 2019

(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	-	14.88	112,314	No pledged as collateral
Franklin Templetin Sinoam Money Market		9,549	-	-	-	98,389	-	10.38	99,112	〃
Allinnz Glbl Inv Global Bd A		2,516	-	-	-	30,060	-	12.53	31,525	〃
						$ 237,137			242,951	

Chin-Poon Industrial Co., Ltd.

Statement of notes receivable

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Non-related parties:			
Company A	Arising from operating activities	$ 7,241	
Company B	〃	943	
Company C	〃	880	
Company D	〃	791	
Others (amount individually less than 5%)	〃	415	
		$ 10,270	

Chin-Poon Industrial Co., Ltd.

Statement of accounts receivable

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.	Arising from operating activities	16,647	
Draco PCB Public Co., Ltd.	〃	917	
Subtotal		17,564	
Non-related parties:			
Company A	Arising from operating activities	186,629	
Company B	〃	141,675	
Others (amount individually less than 5%)	〃	2,316,722	
Subtotal		2,645,026	
Less: loss allowance		79,342	
Subtotal		2,565,684	
Total		**$ 2,583,248**	

Chin-Poon Industrial Co., Ltd.

Statement of other receivables

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Other Receivables－related parties	Supplies purchased on behalf of others	$ 6,864	
	Payment on behalf of others	1,119	
	Receivable from lending	90,729	
	Receivable from liquidation	4,189	
Subtotal		102,901	
Other Receivables－non-related parties	Revenue from scrap sales	34,847	
	Interest income	264	
	Others	37	
Subtotal		35,148	
Less: loss allowance for other receivables		1,058	
Subtotal		34,090	
		$ 136,991	

Chin-Poon Industrial Co., Ltd.

Statement of inventories

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Amount			Note
	Cost		Net realizable value	
Finished goods	$	1,121,214	1,230,291	Market value is represented by NRV
Work in process		753,062	897,109	〃
Raw materials		87,641	85,807	〃
Supplies		106,380	105,615	〃
Total		2,068,297	**2,318,822**	
Less: allowance for inventory write-down		62,884		
	$	**2,005,413**		

Statement of prepayments

Type	Description	Amount		Note
Prepaid expenses		$	20,069	
Prepaid import taxes			20,515	
Others			8,904	
		$	**49,488**	

Chin-Poon Industrial Co., Ltd.

Statement of other financial assets－current

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Time deposits	RMB 53,491thousand (interest rate 2.70%~2.85%)	$ 229,957	Not pledged as collateral

Statement of other current assets

Type	Description	Amount	Note
VAT tax recoverable		$ 46,860	
Others		2,101	
		$ 48,961	

Chin-Poon Industrial Co., Ltd.

Statement of changes in investments accounted for under equity method

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

	Balance, Beginning of Period		Increase		Decrease		Balance, End of Period			Market value or book value			
Investees	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Ownership (%)	Amount	Unit price	Gross value	Pledged as Collateral	Note
VEGA International Enterprise Co., Ltd.	131,243	$ 7,143,914	-	255,106 (Note 1)	-	279,334 (Note 2)	131,243	100.00	7,119,686	-	7,119,686	None	
Draco PCB Public Co., Ltd.	416,761	1,255,146	282	81,880 (Note 3)	-	226,345 (Note 4)	417,043	99.65	1,110,681	-	1,110,681	None	
Chin Poon Japan Co., Ltd.	180	6,526	-	1,928 (Note 5)	180	8,454 (Note 6)	-	-	-	-	-	Nome	
		$ 8,405,586		338,914		514,133			8,230,367		8,230,367		

Note 1: The amount contains $254,155 thousand from investment income generated by subsidiaries and business associates and $951 thousand from unrealized profits on intercompany sales.

Note 2: The amount contains $279,334 thousand from exchange differences on translation of foreign financial statements.

Note 3: The amount contains $846 thousand from acquiring the interests of shares, $10,482 thousand in capital surplus from convertible bonds payable and $70,552 thousand from exchange differences on translation of foreign financial statements.

Note 4: The amount contains $222,789 thousand investment losses generated by subsidiaries and business associates, $3,489 thousand from actuarial losses of defined benefit plans and a decrease of $67 thousand in retained earnings.

Note 5: The amount contains $1,195 thousand from investment income generated by subsidiaries and business associates and $733 thousand from exchange differences on translation of foreign financial statements.

Note 6: The amount was the balance of investments accounted for under the equity method at the date of loss control of Chin-Poon Japan Co., Ltd..

Chin-Poon Industrial Co., Ltd.

Statement of changes in property, plant and equipment

For the year ended December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Please refer to note 6(i).

Statement of changes in accumulated depreciation of property, plant and equipment

Please refer to note 6(i).

Statement of changes in right-of-use assets

Please refer to note 6(j).

Statement of changes in accumulated depreciation of right-of-use assets

Please refer to note 6(j).

Chin-Poon Industrial Co., Ltd.

Statement of other financial assets－non-current

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Refundable deposits	Rental deposits	$ 8,354	

Statement of short-term loans

Type	Lender	Ending Balance	Term	Interest Rate (%)	Line of Credit	Pledged as collateral	Note
Unsecured loans	Taishin International Bank	$ 430,630	Within 1 year	0.54~3.28	959,712	None	
Unsecured loans	HSBC Bank	269,919	Within 1 year	2.56~3.27	914,726	〃	
Unsecured loans	First Commercial Bank (Taoyuan branch)	299,910	Within 1 year	2.8450~2.9940	600,000	〃	
		$ 1,000,459					

Statement of notes payable

Suppliers	Description	Amount	Note
Company A	Arising from operating activities	$ 115,755	
Company B	〃	51,119	
Company C	〃	30,746	
Others (amount individually less than 5%)	〃	316,611	
		$ 514,231	

Chin-Poon Industrial Co., Ltd.

Statement of accounts payable

December 31, 2019

(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	$	1,015,767	
Draco PCB Public Co., Ltd	〃		40,951	
Subtotal			1,056,718	
Non-related parties:				
Company A	Arising from operating activities	$	100,428	
Company B	〃		58,027	
Company C	〃		45,053	
Company D	〃		42,061	
Company E	〃		39,952	
Others (amount individually less than 5%)	〃		549,669	
Subtotal			835,190	
		$	**1,891,908**	

Chin-Poon Industrial Co., Ltd.

Statement of other payables

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Items	Description	Amount	Note
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.		$ 164	
Non-related parties:			
Accrued salary, bonuses, and annual leaves		422,269	
Accrued processing fees		59,217	
Commissions payable		70,273	
		73,968	
Others (amount individually less than 5%)		269,596	
Subtotal		895,323	
Total		**$ 895,487**	

Chin-Poon Industrial Co., Ltd.

Statement of lease liabilities

December 31, 2019

(Expressed in thousands of New Taiwan dollars)

Type	Description	Term of lease	Discount rate	Amount	Note
Buildings		2020	2.15%	$ 45,121	
Buildings		2021~2028	2.15%	339,812	
				$ 384,933	

Statement of other current liabilities

Type	Description	Amount	Note
Refund liabilities		$ 541,818	
Suspense receipts		94,547	
Others (amount individually less than 5%)		39,954	
		$ 676,319	

Chin-Poon Industrial Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Product Types	Quantity	Amount	Note
Single-sided PCB	584,397 M^2	$ 1,112,889	
Double-sided PCB	366,940 M^2	1,020,264	
Multilayer PCB	1,082,879 M^2	7,560,503	
Revenue from related parties	1,026,398 M^2	3,830,482	
Single-sided mold	97 SET	741	
Double-sided mold	26 SET	146	
Multi-layer mold	303 SET	5,650	
Board	317 SHT	17,729	
Materials	287 KG	8,923	
Subtotal		13,557,327	
Less: sales returns and discounts		174,619	
Net revenue		$ 13,382,708	

Chin-Poon Industrial Co., Ltd.

Statement of operating costs

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Amount Subtotal	Amount Total
Raw materials:		
Beginning raw materials inventory	$ 114,382	
Add: Purchases	1,796,411	
Less: Ending raw materials inventory	87,641	
Raw materials resale	16,408	
Internal requisition for raw materials used in research and sampling	10,736	
Transfer to operating expenses	11,858	
Raw materials subtotal	1,784,150	
Supplies:		
Beginning supplies inventory	88,154	
Add: Purchases	2,410,186	
Less: Ending raw materials inventory	106,380	
Raw materials resale	8,841	
Transfer to operating expenses	1,005	
Supplies subtotal	2,382,114	
Cost of raw material used in production	4,166,264	
Direct labor	1,284,095	
Manufacturing expenses	3,154,230	
Manufacturing costs	8,604,589	
Add: Beginning work-in-process inventory	698,572	
Purchases	240,191	
Less: Ending work-in-process inventory	753,062	
Cost of finished goods	8,790,290	
Add: Beginning finished goods	1,313,426	
Purchases	3,641,290	
Less: Ending finished goods	1,121,214	
Tax returns from export	4,946	
Scrap	21,606	
Cost of finished goods sold		12,597,240
Cost of raw materials resale		25,249
Gain on inventory write-down		(1,850)
Sale of scrap		231,029
Total manufacturing costs		$ 12,389,610

Chin-Poon Industrial Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Salaries		$ 68,495	
Sample expenses		108,392	
Shipping expenses		59,068	
Commissions		22,853	
Export expenses		25,288	
Others (amount individually less than 5%)		36,566	
		$ 320,662	

Statement of administrative expenses

December 31, 2019

Type	Description	Amount	Note
Salaries		$ 150,197	
Depreciation of right-of-use assets		21,372	
Security service expenses		14,122	
Professional expenses		13,792	
Others (amount individually less than 5%)		66,582	
		$ 266,065	

Chin-Poon Industrial Co., Ltd.

Statement of research and development expenses

December 31, 2019

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Salaries		$ 22,880	
Research expenses		45,549	
Others (amount individually less than 5%)		2,381	
		$ 70,810	

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	2019	2018	Difference	
			Amount	%
Current Assets	12,906,391	14,306,924	(1,400,533)	-10%
Property, Plant and Equipment	7,863,012	7,117,745	745,267	10%
Intangible Assets	0	0	0	0%
Other Assets	2,335,024	1,731,165	603,859	35%
Total Assets	23,104,427	23,155,834	(51,407)	0%
Current Liabilities	6,325,895	7,047,242	(721,347)	-10%
Noncurrent Liabilities	1,041,234	647,120	394,114	61%
Total Liabilities	7,367,129	7,694,362	(327,233)	-4%
Share Capital	3,974,954	3,974,954	0	0%
Capital Surplus	1,578,800	1,568,318	10,482	1%
Retained Earnings	10,532,226	10,046,949	485,277	5%
Other Equity	(350,229)	(142,180)	(208,049)	146%
Noncontrolling Interests	1,547	13,431	(11,884)	-88%
Total Equity	15,737,298	15,461,472	275,826	2%

Explanation:

(1) Other assets: The main reason is the increase in the amount of banks' time deposit.

(2) Noncurrent liabilities: It is mainly due to the recognition of lease liabilities on the initial application date because of the transition to IFRS 16.

(3) Other equity: It is mainly due to the increase in the exchange differences on translation from the financial statements of foreign subsidiaries.

(4) Noncontrolling Interests: The main reason is that the Company's shareholding in Draco, its subsidiary, increased, resulting in a decrease in noncontrolling Interests.

7.1.2 Future Response Plan

In 2019, the Company faced a downturn in the global automotive market and fierce competition in the auto PCB market. The Company is still able to achieve certain profitability with the help of our financial strength. In the future, while maintaining a solid financial position, we will continue to strengthen our operating capability, enhance our operating performance and push up the Company's growth pace in order to create better returns for our shareholders.

7.2 Analysis of Financial Performance

Unit: NT$ thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Operating Revenue	17,848,498	20,173,888	(2,325,390)	-12%
Operating Cost	16,453,990	18,098,029	(1,644,039)	-9%
Gross Profit	1,394,508	2,075,859	(681,351)	-33%
Operating Expenses	1,096,366	1,180,806	(84,440)	-7%
Operating Income	298,142	895,053	(596,911)	-67%
Non-operating Income and Expenses	534,212	(519,984)	1,054,196	-203%
Profit (loss) before Tax from continuing operations	832,354	375,069	457,285	122%
Less: income tax expenses	172,382	212,844	(40,462)	-19%
Profit (loss) after Tax from continuing operations	659,972	162,225	497,747	307%
Other comprehensive income, net of tax	(184,552)	7,716	(192,268)	-2492%
Total Comprehensive Income	475,420	169,941	305,479	180%

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) Increase in non-operating income and expenses: The increase in non-operating income and expenses was mainly due to the receipt of insurance claims of NT$350 million in 2019 for the fire incident on April 28, 2018, which also resulted in an increase in Profit (loss) before Tax from continuing operations and Profit (loss) after Tax from continuing operations.

(3) Other comprehensive income: The main reason was the exchange

differences on translation from the financial statements of foreign subsidiaries.

(4) Based on the above reasons, the total comprehensive Income increased significantly as well.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis for the Last Two Years

Year / Item	2019	2018	Change %
Cash Flow Ratio (%)	28	26	8%
Cash Flow Adequacy Ratio (%)	140	116	21%
Cash Reinvestment Ratio (%)	6	3	100%

Explanation:

(1) Cash flow adequacy ratio: Due to the decrease in inventory, the cash flow adequacy ratio is increased.

(2) Cash reinvestment ratio: The decrease in cash dividends paid led to an increase in net cash inflows from operating activities in the current period, which resulted in an increase in the cash reinvestment ratio..

7.3.2 Analysis of Cash Flow in the Coming Year

Unit: NT$ thousand

Cash Balance 12/31/2018	Net Cash Provided by Operating Activities in 2019	Net Cash Used in Investing and Financing Activities in 2019	Cash Balance 12/31/2019	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
4,320,602	1,883,768	2,270,778	3,933,592	-	-

(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 1,382,899 thousand and RMB 38,678 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 2019, our ownership has reached 99.65%. 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$ 222,789 thousand in 2019. 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% or near 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 middle/high current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of semi-flex with 3 flex layers
- Development of rigid flex – flex tail & unbonded stack-up
- 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 robot arm for precise handling and automatic process flow of production

(2) R&D Budget:
The R&D budget is NT$ 103,386 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. 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 former 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) 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. 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.

7.6.13 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	

7.6.14 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.

7.6.15 Other important risks.

- Risk matters:

  (1) None

- Response measures:

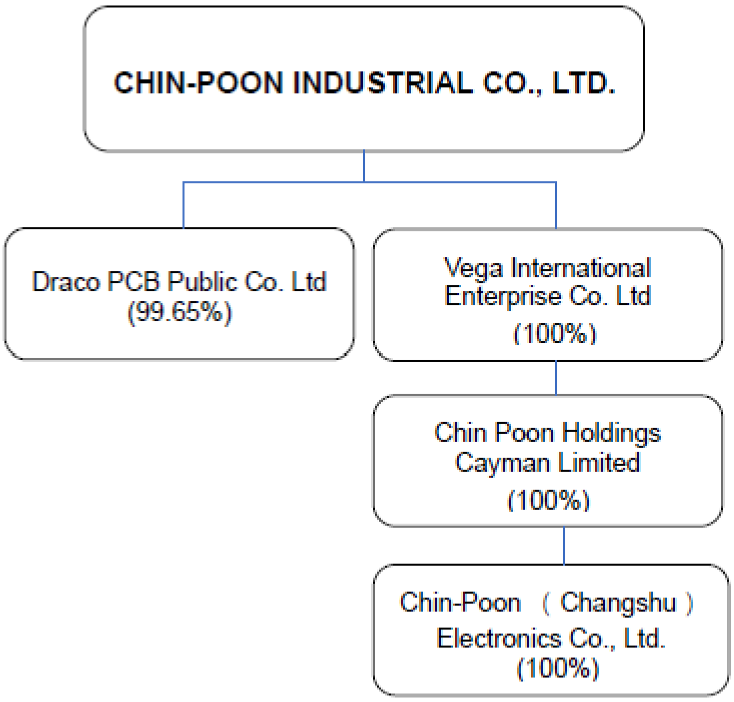
  (1) None

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, 2020)

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
	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 25, 2020)

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	7,750,649	1.95
	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	88,637	0.02
	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		
Draco PCB Public Co. Ltd.	Chairman of the Board	Mr. Viphandh Roengpithya		
	Director/ Managing director	Mr. Chen, Jung Kun (or Mr. Alan Chen)	50,500	0.012
	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, 2020.

8.1.6 Overview of Affiliated Enterprises in 2019

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$)	3,974,954	21,772,781	6,037,030	15,735,751	13,382,708	346,391	660,825	1.66
Vega International Enterprise Co.,LTD (US$)	131,243	237,394	-	237,394	-	-	8,224	0.06
Chin Poon Holdings Cayman Limited (US$)	92,354	237,456	62	237,394	21,723	385	8,224	0.09
Chin-Poon (Changshu) Electronics Co., Ltd. (RMB)	864,973	1,928,189	610,317	1,317,872	1,408,781	44,295	44,003	Note 1
Chin Poon Japan Co., Ltd.(JPY)	0	0	0	0	0	0	0	Note 2
Draco PCB Public Co. Ltd.(THB)	418,499	1,888,319	827,550	1,060,769	1,969,430	(244,769)	(244,563)	(0.54)

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 and was liquidated on November 11, 2019..

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 2019 (from January 1, 2019 to December 31, 2019) 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 2019 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, 2020

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 2019:

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, 2019, 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, 2020, 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: Wei-Jin Huang

CEO: Alan Hwang

CHIN-POON INDUSTRIAL CO., LTD.

Chairperson: HUANG, WEI-JIN