

# **CHIN-POON INDUSTRIAL CO., LTD.**

## **2022 ANNUAL REPORT**

(Translation)

June 27, 2023

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

CHIN-POON Website: <http://www.chinpoon.com>

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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 2022**

Our consolidated operating revenue in 2022 was NT\$ 17,614,328 thousand and decreased by 3.32% and by NT\$ 604,952 thousand from 2021. The main reason for the decrease of revenue was that the Company has been focusing on the automotive business and disruption of the global automotive supply chain was rather extensive in 2022. In early 2022, the Russia-Ukraine War has led to the interruption of the supply of auto components in some regions, especially in Europe. And then the cost of raw materials and energy rose sharply, which have huge impact on disruption of the global automotive supply chain. And the disruption directly affected the Company's revenue. Our operating income in 2022 was NT\$ 272,677 thousand and was increased by NT\$ 458,331 thousand from 2021. Our operating income has turned from negative to positive and the profit has increased significantly, mainly due to the sharp appreciation of the US dollar against Taiwan dollar and RMB in the second half of 2022, which helped us to increase our gross profit as a manufacturer exporter, so that our gross profit in 2022 increased by NT\$ 373,480 thousand compared with 2021. At the same time, due to factors such as the decrease in freight costs, etc., the operating expenses in 2022 was reduced by NT\$ 84,851 thousand from 2021. Even without a large non-operating Income such as insurance claims in 2021, our net profit before tax still increased from NT\$ 460,664 thousand in 2021 to NT\$ 742,683 thousand in 2022, an increase of 61.22%. Our net income in 2022 was NT\$ 496,238 thousand and increased by 46.95% and by NT\$ 158,538 thousand from 2021. So, our earnings per share (EPS) also increased from NT\$ 0.85 in 2021 to NT\$ 1.25 in 2022.

## Operating Results in 2022

Unit: NT\$ in thousands

Item \ Amount	2022	2021	Plus or Minus (Amount)	Plus or Minus (%)
Operating Revenue	17,614,328	18,219,280	(604,952)	-3.32%
Operating Costs	16,107,201	17,085,633	(978,432)	-5.73%
Gross Profit	1,507,127	1,133,647	373,480	32.94%
Operating Expenses	1,234,450	1,319,301	(84,851)	-6.43%
Operating Income	272,677	(185,654)	458,331	246.87%
Non-operating Income and Expenses	470,006	646,318	(176,312)	-27.28%
Profit before Tax	742,683	460,664	282,019	61.22%
Consolidated Profit	496,238	337,700	158,538	46.95%
Profit, attributable to Owners of Parent Company	496,591	337,782	158,809	47.02%

Our budget achievement of operating revenue and operating costs were 80% and 80% of the 2022 budget targets respectively. In 2022, we expected that the automotive supply chain would become smooth, so we had an optimistic forecast for the growth of our revenue. However, the development of various situations after the Russia-Ukraine War had a greater impact on the automotive supply chain and on the growth of automotive business, resulting in a 20% deviation from the targets. However, due to the appreciation of the U.S. dollar in the second half of 2022, exceeding our estimate, it largely offset the negative impact of lower-than-expected revenue growth, so that the achievement rate of gross profit still reached 79%. But The decrease in international shipping costs was not as good as we expected, resulting in the operating expenses reaching 85% of the budget target, which also affected the achievement rate of our operating income to only 59%. In the end, the achievement rate of Profit before Tax reached 109%. This is because the sharp appreciation of the US dollar against Taiwan dollar and RMB in the second half of 2022 resulted in a lot of foreign exchange gains.

## Budget Achievement in 2022

Unit: NT\$ in thousands

Item \ Amount	Actual Amount	Budget Amount	Achievement Rate (%)
Operating Revenue	17,614,328	21,989,631	80%
Operating Costs	16,107,201	20,072,896	80%
Gross Profit	1,507,127	1,916,735	79%
Operating Expenses	1,234,450	1,451,741	85%
Operating Income	272,677	464,994	59%
Non-operating Income and Expenses	470,006	217,369	216%
Profit before Tax	742,683	682,363	109%

After having been aware of the continuation of global automotive supply chains disruption in 2022, we immediately adjusted our operating strategy, business development and capacity expansion accordingly, and actively negotiated with our customers on price adjustments. With the help of the sharp appreciation of the US dollar against Taiwan dollar and RMB in the second half of 2022, our Profit before Tax and Consolidated Profit still grew by 61.22% and by 46.95% in 2022 respectively.

And our long-term and short-term financial position remained healthy. The debt-to-asset ratio in 2022 was 30%, which improved compared to 34% in 2021. The current ratio and quick ratio in 2022 were 245% and 175%, which was significantly better than 204% and 143% in 2021. The Company's debt-to-assets ratio, current ratio and quick ratio indicate that the Company has strong financial strength and operational management capabilities.

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 2022.

### Results of R&D in 2022

- A. Development of modified copper inlay process for cost reduction
- B. Middle/High current carrying PCB - Mini-busbar
- C. Middle/High current carrying PCB – Heavy copper
- D. Partial thermal management PCB – Inlay + blind vias
- E. Partial thermal management PCB – Square inlay
- F. Partial thermal management PCB – Convex
- G. Development of rigid flex
- H. Development of cavity PCB

- I. Development of radio frequency PCB
- J. Development of advanced HDI
- K. Assisting overseas factories to upgrade the capabilities of multilayers and HDI
- L. Others

## **Our Plan for 2023**

### **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:	1,047,089 M <sup>2</sup> (square meter)
Volume of Double-sided & Multilayer:	3,516,744 M <sup>2</sup> (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 AS 9100 Aerospace Quality Management System which was acquired in 2020, 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:

- Technology development for all aspects of smart factories, including smart monitoring, smart automation, smart cooperation and AI applications
- Development of middle/high current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of embedded Cu-inlay for Matrix/Multi-Pixel LED Headlights System
- Development of semi-flex plus PCB for vehicle
- Development of rigid flex for ADAS
- Development of radio frequency PCBs
- Development of cavity PCB
- Development of advanced HDI
- Development of thick Cu Coil PCB for vehicle planar transformer
- 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\$ 276,708 thousand.

## Our Strategies

1. Continue to expand the niche market of printed circuit board (PCB) used in automobiles, low-orbit satellites and high-end communication and of medium volume PCBs.
2. Build a cluster of Asian manufacturing sites. We are planning to simultaneously expand the manufacturing sites in China and in Thailand in the next 2-3 years. There is still enough space for capacity expansion in our plants in Changshu, China. And we have increased our ownership of our manufacturing site in Thailand to 99.78% in 2021. 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 2022 was NT\$ 903.3 billion and increased by 10.5%.

In 2022, due to various developments after the Russia-Ukraine War, as well as the impact of continuous high inflation and high interest rates, the global economic growth has been revised down from 4.1% originally estimated by the International Monetary Fund (IMF) to 3.4%. Compared with 5.5% in 2021, it is a significant decline. In response to high inflation, central banks such as the US Federal Reserve and the European Central Bank have begun to shrink their balance sheets and raise interest rates. Along with the impact of rising prices on consumer demand, the momentum of the global economy has gradually declined. At the same time, even if European and American countries gradually have lifted most of COVID-19 mandates in the first half of 2022, and Asian countries other than China also have lifted border controls in the second half of the year, the COVID-19 pandemic continued to disrupt the global supply chain in 2022, especially under China's Zero-COVID Policy. Although the growth of consumption has slowed down, fund costs have increased, raw materials have risen, global supply bottlenecks remained unsolved, those problems and other issues have caused great challenges for manufacturers in terms of management and costs, and the global economic growth has slowed down, it still maintained growth in 2022, so exporters were able to weather 2022 smoothly.

Looking ahead to 2023, the impact of the COVID-19 pandemic is expected to gradually subside, but rising interest rates will restrain private consumption and corporate spending, and global economic demand has cooled down significantly in the second half of 2022, and this weak trend will continue into 2023. Coupled with factors such as the U.S.-China technology war and the resurgence of semiconductor chip protectionism in various countries, the concerns about the global economic outlook continue to be more negative. Major international forecasting institutions believe that the growth rate of

the global economy and trade in 2023 will be slower than that in 2022. IMF has forecasted that the global economic growth will drop from 3.4% in 2022 to 2.9% in 2023. Due to the unresolved supply chain disruption, the price pressure caused by inflation and the intensification of geopolitical risks, this year is expected to be a year of both sustained growth and high uncertainty for the global economy.

According to the forecast of IEK, total revenue of Taiwan's PCB makers in 2023 is expected to be NT\$ 917.8 billion and increased by 1.6%, which will slow down significantly. 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 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.

Looking back on the past year, the world is full of changes and challenges. Uncertain factors such as repeated epidemics, fluctuations in international economic and trade, and supply chain disruptions have been testing the adaptability and resilience of an enterprises. And the impact of extreme weather caused by climate change is becoming more and more obvious. For the survival of human beings in the long run, many countries are accelerating to take more proactive actions and thinking about what should be done to maintain the sustainable development of the human society. We have been adhering to a core concept to lead the Company, which is "be good together". That an enterprise can maintain good performance, operation and profitability is the basic task that it must achieve. But it is not enough for it to keep thriving. Its shareholders and employees must be able to benefit from the results it has created, and what it has done must make our society and the environment better. Only when all stakeholders can "be good together", we will be able to maintain a beautiful and long-term future for all of us. This is our fundamental belief of leading an enterprise.

In the past, we have accumulated strength of R&D and manufacturing to create good business results in the global automotive PCB market and to establish the Company's sound operational capabilities and strong financial position. As the world is facing the

challenges of severe climate change, we are going to make use of our excellent ability, follow the international trend of carbon reduction, make comprehensive re-alignments in all aspects, set aggressive goals to drive ourselves, promise to achieve zero carbon emissions in global offices by 2030, and challenge the targets of using 100% renewable energy and of achieving carbon neutrality by 2050. At the same time, we will continue to improve the efficiency of energy, material and water resources in our environmental protection strategy. In addition, we will encourage suppliers to participate and build a resilient and sustainable supply chain to extend the positive influence beyond our reach.

We adhere to the spirit of "be good together" and care about ESG issues. In addition to enhancing R&D, manufacturing and management to drive the improvement of overall productivity, we also actively expand more positive influence with a view to contribute to the comprehensive sustainable development of our society. We have weathered 43 years. The past difficulties have tempered our confidence and strength to face challenges. In the future, we will continue to work hard to simultaneously achieve the dual goals which are to maintain a going concern and to support the sustainable development of the environment and the society.

Taiwan PCB industry are facing many challenges and rapidly changing external environments which have a great impact on Taiwan's PCB industry. In 2022, the global economy is expected to maintain a positive growth with slow momentum. Chin-poon has aligned our strategy to enhance our edge on globalization, niche products, high-quality services, key technology, innovation of processing, stable product quality, integrated logistics platform, competitive cost control and advanced 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.

Thanks to the efforts and dedication of all employees, the Company has achieved a certain level of profitability over the past year even in the face of growth pressure caused by disruption of automotive supply chain. 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 Pingzhen 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%.
2020	Mrs Yu-Chih Tseng-Liu elected as the new chairperson in June.
	T2 plant acquired the certificate of AS 9100 Aerospace Quality Management System in October.
	Acquired the certificate of ISO 45001 Occupational Health & Safety Management System in November.
	Increased ownership of DRACO PCB PUBLIC CO., LTD. in Thailand up to 99.73%.
2021	Increased ownership of DRACO PCB PUBLIC CO., LTD. in Thailand up to 99.78%.
2023	DRACO PCB PUBLIC CO., LTD. changed its name to CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD. in April.

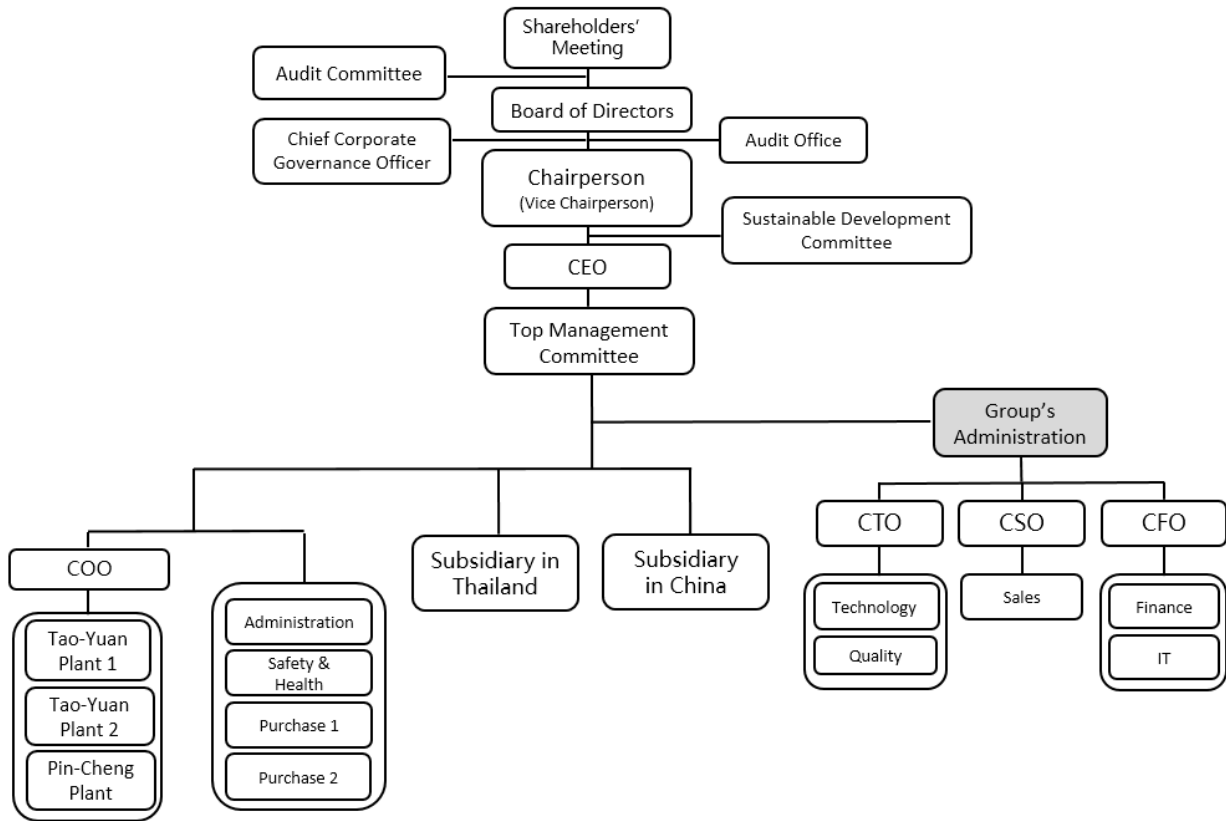


# 3. Corporate Governance

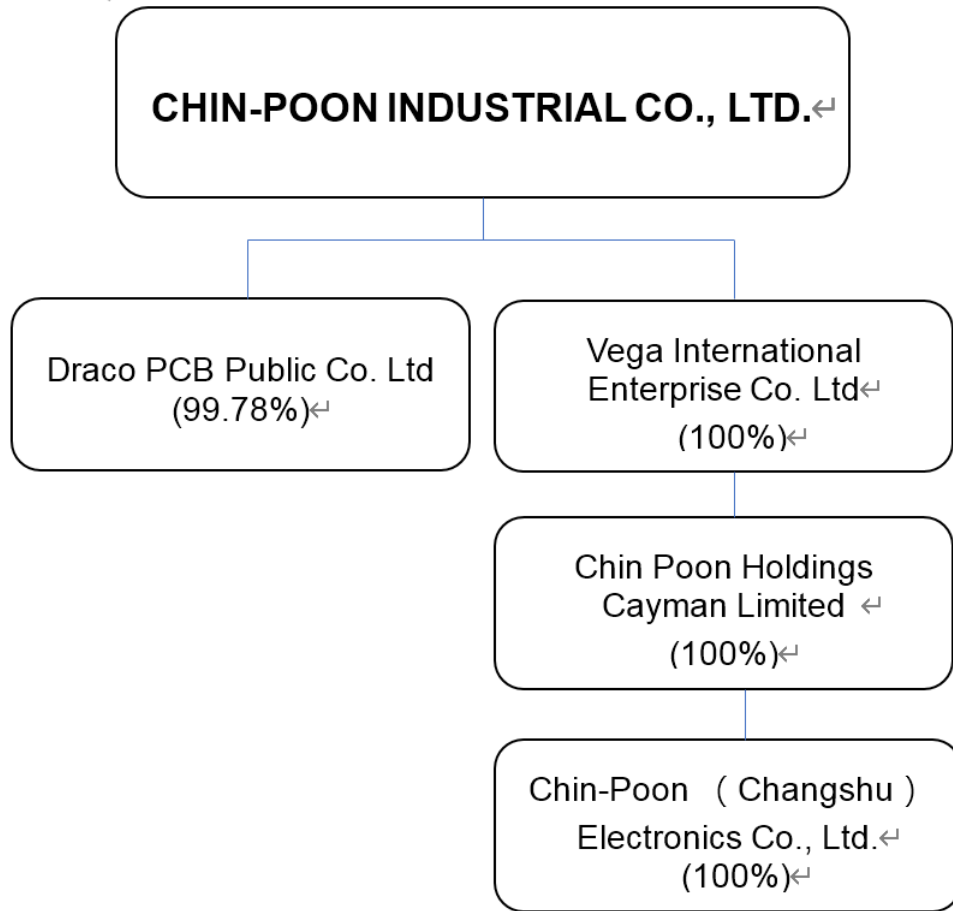
## 3.1 Organization

### 3.1.1 Organization Chart

May 10, 2023



### 3.1.2 Family Tree



Note: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

### 3.1.3 Primary Operational Departments

Top Management  
Committee

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.

Sustainability  
Committee

- a. It is the Company's top authority on sustainability. The Company's chairperson serves as the chairman of this committee who works with several senior executives in different fields. They review the Company's core operating capabilities, formulate short-term and long-term sustainable development plans, and report to the board of directors.
- b. The Sustainability Committee serves as an inter-departmental platform integrating the works of all departments. Through regular meetings and task groups for different issues, the Committee identify sustainability issues related to company operations and stakeholders, formulate corresponding strategies and guidelines, compile sustainability budgets for each organization, and implement annual plans, and track the implementation results to ensure that the sustainable development strategy is fully incorporated into the Company's daily operations.
- c. The Company takes the Sustainability Committee also as the top authority on climate change management. It reviews the Company's climate change strategy and goals, manages climate change risks and opportunities, reviews the implementation status and discusses future plans, and reports to the board of directors every year.

Chief Corporate  
Governance Officer

- a. Handling of matters relating to board of directors meetings and shareholders meetings in compliance with law.
- b. Preparation of minutes of the board of directors meetings and shareholders meetings.
- c. Assistance in onboarding and continuing education of the directors and supervisors.
- d. Provision of information required for performance of duties by the directors and supervisors.
- e. Assistance in the directors' and supervisors' compliance of law.
- f. Other matters described or established in the articles of incorporation or under contract.

- 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	<ul style="list-style-type: none"> <li>a. In charge of human resources planning and development and of education and training.</li> <li>b. Manages the routine operations of promotion, salary, welfare and attendance management.</li> <li>c. In charge of general administration and fixed asset management.</li> </ul>
Safety & Health	<ul style="list-style-type: none"> <li>a. Plans safety and health management to prevent occupational disasters and occupational diseases</li> <li>b. Provides information and recommendations on labor safety and health management.</li> </ul>
IT	<ul style="list-style-type: none"> <li>a. Establishes an enterprise information policy to integrate and manage enterprise information resources.</li> <li>b. Plans and implements information systems to improve the efficiency of business management.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>a. In charge of fund planning, cash management and assets and risk management.</li> <li>b. In charge of affairs on accounting, tax, cost analysis and management.</li> </ul>
Purchase	<ul style="list-style-type: none"> <li>a. In charge of supplier selection and supplier development.</li> <li>b. Provides the raw materials to the demanding units at reasonable prices and in proper quantity, which is beneficial to the operation of manufacturing.</li> </ul>

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

### 3.2.1 Information on Directors and Independent Directors

April 29, 2023

Title	Nationality or Place of Registration	Name	Gender & Age	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.	Tseng-Liu, Yu-Chih	Female 71-80	June 23, 2020	3	Aug. 11, 1979	9,603,279	2.42%	9,603,279	2.42%	1,372,422	0.35%	-	-	Chairperson, Chin-Poon Industrial Co., Ltd. St. Francis Xavier High School	Chairperson, VEGA International Enterprise Co., Ltd. Chairperson, Chin-Poon Holdings Cayman Limited Chairperson, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Draco PCB Public Co., Ltd		None	
Director	R.O.C.	Lin, Pi-Chi	Male 71-80	June 23, 2020	3	Aug. 11, 1979	7,750,649	1.95%	6,919,649	1.74%	2,591,839	0.65%	-	-	Manager, Chin-Poon Industrial Co., Ltd. National Tao-yuan Agricultural & Industrial Vocational High School	Director, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Draco PCB Public Co., Ltd Director, Dalux Technology Co., Ltd		None	
Director	R.O.C.	Huang, Wei-Jin	Male 71-80	June 23, 2020	3	Aug. 11, 1979	13,238,409	3.33%	11,238,409	2.83%	2,642	0.00%	-	-	Chairperson and CEO, Chin-Poon Industrial Co., Ltd. National Cheng Kung University	Director, Chin-Poon (Changshu) Electronics Co., Ltd. Director, Draco PCB Public Co., Ltd		None	
Director	R.O.C.	Tung, Hsiao-Hung	Female 71-80	June 23, 2020	3	May 18, 2005	6,308,043	1.59%	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 71-80	June 23, 2020	3	May 2, 1990	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 61-70	June 23, 2020	3	Feb. 5, 1988	5,546,357	1.40%	5,546,357	1.40%	183,630	0.05%	-	-	Chairperson, One Hsiang Restaurant Co., Ltd. Lee-Ming Institute of Technology	Director, Chin-Poon (Changshu) Electronics Co., Ltd.		None	
Independent Director	R.O.C.	Chen, Hsiang-Sheng	Male 71-80	June 23, 2020	3	June 22, 2017	88,637	0.02%	88,637	0.02%			-	-	Vice President, Chin-Poon Industrial Co., Ltd. National Taiwan Normal University	Independent Director, Sunnic Technology & Merchandise Inc.		None	
Independent Director	R.O.C.	Chen, Shi-Shu	Male 81-90	June 23, 2020	3	June 22, 2017	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 61-70	June 23, 2020	3	June 22, 2017	1,242	0.00%	1,242	0.00%			-	-	Senior Assistant Manager, Standard Chartered Bank (Taiwan) Limited Chinese Culture University	None		None	

Note: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

### 3.2.2 Professional Qualifications and Independence Analysis of Directors and Independent Directors

April 29, 2023

Criteria Name	Professional Qualification Requirements & Work Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tseng-Liu, Yu-Chih	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● PCB market experience</li> <li>● Overseas Market Experience</li> <li>● Expertise on PCB technology and equipment</li> <li>● Factory management</li> <li>● Expertise on investment</li> </ul>		None.
Lin, Pi-Chi	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other listed companies</li> <li>● PCB market experience</li> <li>● Overseas Market Experience</li> <li>● Expertise on PCB technology and equipment</li> <li>● Factory management</li> <li>● Expertise on investment</li> </ul>		None.
Huang, Wei-Jin	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other listed companies</li> <li>● PCB market experience</li> <li>● Overseas Market Experience</li> <li>● Expertise on investment</li> </ul>		None.
Tung, Hsiao-Hung	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other listed companies</li> <li>● Expertise on accounting</li> </ul>		None.
Lai, Hwei-Shan	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other listed companies</li> <li>● PCB market experience</li> <li>● Expertise on PCB materials and their business</li> </ul>		None.
Tseng, Wen-Yu	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other companies</li> <li>● PCB market experience</li> <li>● Expertise on investment</li> </ul>		None.
Chen, Hsiang-Sheng	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● A board director of other listed companies</li> <li>● PCB market experience</li> <li>● Overseas Market Experience</li> <li>● Expertise on PCB technology and equipment</li> <li>● Factory management</li> </ul>	He and his immediate family members are independent of the Company.	Independent Director, Sunnic Technology & Merchandise Inc.

Criteria Name	Professional Qualification Requirements & Work Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chen, Shi-Shu	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● Expertise on accounting</li> <li>● Expertise on tax</li> <li>● Expertise on corporate governance</li> </ul>	He and his immediate family members are independent of the Company.	None.
Hsu, Sung-Tsai	<ul style="list-style-type: none"> <li>● Leadership experience in the Board of Directors</li> <li>● Expertise on accounting</li> <li>● Expertise on financing</li> </ul>	He and his immediate family members are independent of the Company.	None.

- 1 Professional Qualifications and Work Experience: The professional qualifications and work experience of individual directors and supervisors shall be described. If they are members of the Audit Committee and have accounting or financial expertise, their accounting or financial background and work experience shall be described, and whether they have not been subject to the provisions of Article 30 of the Company Act shall be specified as well.
- 2 The independent directors shall remain their independence status which include but is not limited to whether he or she, his or her spouse or relatives within the second degree of kinship are directors, supervisors or employees of the Company or its affiliates, the number and proportion of the Company's shares held by him or her, his or her spouse or relatives within the second degree of kinship (or held by the person under others' names), whether they serve as directors, supervisors or employees in a company that has a specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), and the amount of remuneration received for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.
- 3 With regard to disclosure methods, please refer to the best practice examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

### 3.2.3 Diversity and Independence in the Board of Directors

#### 3.2.3.1 Diversity of the Board of Directors

Describe the diversity policy of the Board of Directors and its goals and achievement. The diversity policy includes, but is not limited to, the selection criteria for directors, the professional qualifications and work experience that the board of directors should have, and the composition or proportion of its gender, age, nationality, and culture, etc. And the Company's specific goals and their achievement for this policy shall be described as well.



Article 20 of the Company's "Code of Practice on Corporate Governance" stipulates that the composition of the board of directors should consider diversity, such as having different professional backgrounds, expertise, industry experience, gender, etc. and the directors shall have the knowledge, skills, and experience necessary to perform their duties.

In order to enhance the corporate governance and promote the sound development of the Board of Directors in terms of its composition and structure and to achieve the ideal goals of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

The board of directors of the Company consists of 9 directors, including 6 directors and 3 independent directors. Independent directors account for 33%. They have comprehensive industry experience, covering expertise and experience of chemistry, materials, machinery, engineering, accounting, economics, and finance, which are specifically related to the PCB industry. They have excellent competence on operational judgment, management, crisis handling, international market development and leadership.

The company pays attention to gender equality in the composition of the board of directors. Currently,

female directors account for 22%. The term of office of independent directors is 4-6 years. All independent directors have served no more than three consecutive terms.

The implementation of diversity among the members of the Board of Directors of the Company:

Name	Nationality	Gender	age			Accumulative years as an independent director	Abilities							
			61-70	71-80	81-90		1	2	3	4	5	6	7	8
Tseng-Liu, Yu-Chih Director	R.O.C.	Female		v			v	v	v	v	v	v	v	v
Lin, Pi-Chi Director	R.O.C.	Male		v			v		v	v	v	v	v	v
Huang, Wei-Jin Director	R.O.C.	Male		v			v	v	v	v	v	v	v	v
Tung, Hsiao-Hung Director	R.O.C.	Female		v			v	v	v	v	v		v	v
Lai, Hwei-Shan Director	R.O.C.	Male		v			v	v	v	v	v	v	v	v
Tseng, Wen-Yu Director	R.O.C.	Male	v				v		v	v	v		v	v
Chen, Hsiang-Sheng Independent Director	R.O.C.	Male		v		4-6	v		v	v	v	v	v	v
Chen, Shi-Shu Independent Director	R.O.C.	Male			v	4-6	v	v	v	v			v	v
Hsu, Sung-Tsai Independent Director	R.O.C.	Male	v			4-6	v	v	v	v			v	v

Abilities Designation:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

### 3.2.3.2 Independence of the Board of Directors

Specify the number and proportion of independent directors, and explain that the board of directors is independent, and explain whether there are no case stipulated in Article 26-3, paragraph 3 and 4 of the Securities and Exchange Act, including the cases of there being spouses or relatives within the second degree of kinship between directors, between supervisors, or between directors and supervisors.

The board of directors of the Company consists of 9 directors, including 6 directors and 3 independent directors, with independent directors accounting for 33%.

The independent directors of the Company remain their independence status which include but is not limited to the facts that he or she, his or her spouse or relatives within the second degree of kinship are not directors, supervisors or employees of the Company or its affiliates, that the number and proportion of the Company's shares held by him or her, his or her spouse or relatives within the second degree of kinship (or held by the person under others' names) is shown in the table in 3.2.1, that they do not serve as directors, supervisors or employees in a company that has a specific relationship with the Company, and that they have received no amount of remuneration for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.

### 3.2.4 Major Shareholders of the Institutional Shareholders

April 29, 2023

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

### 3.2.5 CEO, VP, AVP, and Supervisors in Each Department and Branch Office

April 29, 2023

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	Jul. 12, 2019	150,955	0.04%	-	-	-	-	M.S., National Cheng Kung University	None		None	
VP	R.O.C.	Catherine Hsing	Female	Jan. 1, 2007	64,205	0.02%	-	-	-	-	Ming Chuan University	None		None	
VP	R.O.C.	Rachel Lin	Female	Jan. 1, 2002	80,217	0.02%	-	-	-	-	MBA, National Taiwan University Certified Public Accountant	Independent Director & Member of Compensation Committee, Sitronix Technology Corporation		None	
VP	R.O.C.	Jack Lin	Male	Jan. 1, 2007	16,353	0.00%	-	-	-	-	National Central University	None		None	
AVP	R.O.C.	Phil Su	Male	Aug. 13, 2019	13,000	0.00%	215	-	-	-	M.S., National Sun Yat-sen University	None		None	
Internal Auditing Officer	R.O.C.	Candy Sung	Female	Feb. 21, 2008	2,162	0.00%	-	-	-	-	Hsing Wu Commercial College	None		None	
Chief Corporate Governance Officer	R.O.C.	Yu-Chiao Huang	Female	Mar. 19, 2020	276,360	0.07%	326,715	0.08%			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								Total Remuneration (A+B+C+D) and the Ratio of it to Net Income (%) (Note 10)		Compensation Earned by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid from Non-consolidated Investees or the parent company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay & Pensions (B)		Remuneration to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay & Pensions (F)		Employees' Profit-sharing Bonus (G) (Note 6)						
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock	The Company	From All Consolidated Entities (Note 7)	
Director	Huang, Wei-Jin	7,628	7,628	0	0	3,600	3,600	1,440	1,440	12,668 2.55%	12,668 2.55%	0	0	0	0	0	0	0	0	12,668 2.55%	12,668 2.55%	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 compensate directors for their services, such as being independent contractors.

##### 3.3.1.2 Remuneration for Independent Directors

Unit: NT\$ thousand

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and the Ratio of it to Net Income (%) (Note 10)		Compensation Earned by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid from Non-consolidated Investees or the parent company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay & Pensions (B)		Remuneration to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay & Pensions (F)		Employees' Profit-sharing Bonus (G) (Note 6)						
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock	The Company	From All Consolidated Entities (Note 7)	
Independent Director	Chen, Hsiang-Sheng	0	0	0	0	1,080	1,080	720	720	1,800; 0.36%	1,800; 0.36%	0	0	0	0	0	0	0	0	1,800; 0.36%	1,800; 0.36%	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 compensate 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 the average in the market, 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	Huang, Wei-Jin, Lin, Pi-Chi, Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Huang, Wei-Jin, Lin, Pi-Chi, Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Huang, Wei-Jin, Lin, Pi-Chi, Tung, Hsiao-Hung Lai, Hwei-Shan Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Huang, Wei-Jin, Lin, Pi-Chi, 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				
NT\$2,000,001 ≤ X < NT\$3,500,000				
NT\$3,500,001 ≤ X < NT\$5,000,000				
NT\$5,000,001 ≤ X < NT\$10,000,000	Tseng-Liu, Yu-Chih	Tseng-Liu, Yu-Chih	Tseng-Liu, Yu-Chih	Tseng-Liu, Yu-Chih
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

Title	Name (note 1)	Salary (A) (note 2)		Severance Pay & Pensions (B)		Bonuses & Allowances etc. (C) (note 3)		Employees' Profit-sharing Bonus (D) (note 4)				Total Remuneration (A+B+C+D) and the Ratio of it to Net Income (%) (note 8)		Compensation Paid from Non-consolidated Investees (note 9)
		The Company	From All Consolidated Entities (note 5)	The Company	From All Consolidated Entities (note 5)	The Company	From All Consolidated Entities (note 5)	The Company		From All Consolidated Entities (note 5)		The Company	From All Consolidated Entities (note 5)	
								Cash	Share	Cash	Share			
CEO	Alan Hwang	13,899	14,814	887	887	9,419	9,419	1,221	0	1,221	0	25,426; 5.12%	26,341; 5.30%	0
CEO in China	Charlie Tseng													
VP	Catherine Hsing													
VP	Rachel Lin													
VP	Jack Lin													
AVP	Phil Su													

Note: Charlie Tseng, CEO in China, has retired in October 2022.

### 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)
$X < \text{NT\$ } 1,000,000$		
$\text{NT\$ } 1,000,001 \leq X < \text{NT\$ } 2,000,000$		
$\text{NT\$ } 2,000,001 \leq X < \text{NT\$ } 3,500,000$	Charlie Tseng	Charlie Tseng
$\text{NT\$ } 3,500,001 \leq X < \text{NT\$ } 5,000,000$	Catherine Hsing Rachel Lin Jack Lin Phil Su	Catherine Hsing Rachel Lin Jack Lin Phil Su
$\text{NT\$ } 5,000,001 \leq X < \text{NT\$ } 10,000,000$	Alan Hwang	Alan Hwang
$\text{NT\$ } 10,000,001 \leq X < \text{NT\$ } 15,000,000$		
$\text{NT\$ } 15,000,001 \leq X < \text{NT\$ } 30,000,000$		
$\text{NT\$ } 30,000,001 \leq X < \text{NT\$ } 50,000,000$		
$\text{NT\$ } 50,000,001 \leq X < \text{NT\$ } 100,000,000$		
$X \geq \text{NT\$ } 100,000,000$		
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: Charlie Tseng, CEO in China, has retired in October 2022.

\* 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, 2023; 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	1,404	1,404	0.28%
	VP	Catherine Hsing				
	CFO	Rachel Lin				
	VP	Jack Lin				
	AVP	Phil Su				
	Internal Auditing Officer	Candy Sung				
	Chief Corporate Governance Officer	Yu-Chiao Huang				

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, which was issued by the Securities and Futures Commission, Ministry of Finance on March 27, 2003, 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.

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	2021		2021	
	The Company	Ratio of Total Compensation to Net Income (%)	All Consolidated Entities	Ratio of Total Compensation to Net Income (%)
Directors	12,833	3.80%	12,833	3.80%
CEO & VPs, etc.	26,654	7.89%	27,759	8.22%

Title	2022		2022	
	The Company	Ratio of Total Compensation to Net Income (%)	All Consolidated Entities	Ratio of Total Compensation to Net Income (%)
Directors	14,468	2.91%	14,468	2.91%
CEO & VPs, etc.	25,426	5.12%	26,341	5.30%

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 [B]	Attendance by Proxy	Ratio of Attendance [B/A]	Remarks
Chairperson	Tseng-Liu, Yu-Chih	7	0	100	
Director	Huang, Wei-Jin	5	0	71	
Director	Lin, Pi-Chi	5	0	71	
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	6	1	86	
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 specified:

- (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. 12, 2022	First Meeting in 2022	1. Business Plan and Budget for 2022.	Approved with no objection from all directors and independent directors.
		2. Appointment and Independence Assessment of the Company's CPAs for 2022.	Approved with no objection from all directors and independent directors.
		3. The company's year-end bonus proposal.	Approved with no objection from all directors and independent directors.
		4. Proposal for Year-end Bonuses for Mrs. Yu-Chih Tseng-Liu as the chairperson.	Approved with no objection from all directors and independent directors.
		5. Amendments of Internal Control and of Internal Regulation in the Company and its Subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all directors and independent directors.
Mar. 14, 2022	Second Meeting in 2022	1. Business Report and Financial Statements for 2021.	Approved with no objection from all directors and independent directors.
		2. Proposal for Distribution of 2021 Profits and Retained Earnings.	Approved with no objection from all directors and independent directors.
		3. Proposal for the Compensation of Employees and the Remuneration of Directors of 2021.	Approved with no objection from all directors and independent directors.
		4. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2021.	Approved with no objection from all directors and independent directors.
		5. Amendment of the Operational Procedures for Acquisition and Disposal of Assets.	Approved with no objection from all directors and independent directors.
		6. Matters related to the 2022 Annual Shareholders' Meeting.	Approved with no objection from all directors and independent directors.
		7. Matters related to Acceptance of Shareholders' Proposals.	Approved with no objection from all directors and independent directors.
		8. Directors & Officers Liability Insurance Policy.	Approved with no objection from all directors and independent directors.
May 11, 2022	Third Meeting in 2022	1. Consolidated financial statements for the first quarter of 2022.	Approved with no objection from all directors and independent directors.

		2. Amendments of Internal Control and of Internal Regulation.	Approved with no objection from all directors and independent directors.
		3. 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 independent directors.
		4. Shareholder Loan Application of US\$ 8 Million to the Company by Draco PCB Public Company Limited.	Approved with no objection from all directors and independent directors.
		5. The Company's Guarantee for the short-term credit line of US\$ 16 million by ANZ for Draco PCB Public Company Limited.	Approved with no objection from all directors and independent directors.
Jul. 8, 2022	Fourth Meeting in 2022	1. Relevant Matters of the 2022 Cash Dividend Distribution such as the Ex-Dividend Date.	Approved with no objection from all directors and independent directors.
		2. Establishment of the "Operational Procedures for Endorsements and Guarantees" in the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all directors and independent directors.
		3. Agreement on the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd." providing after-sale guarantee by its Account Receivable of RMB 20 million for the Company.	Approved with no objection from all directors and independent directors with regard to appointing Mr. Alan Hwang as the CEO.
		4. 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 independent directors.
		5. The Company's Guarantee for the one-year short-term credit line of US\$ 20 million for its subsidiary "Draco PCB Public Company Limited." to finance Draco's business in import and export.	Approved with no objection from all directors and independent directors.
Aug. 10, 2022	Fifth Meeting in 2022	1. Consolidated financial statements for the second quarter of 2022.	Approved with no objection from all directors and independent 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 independent directors.
Sep. 23, 2022	Sixth Meeting in 2022	1. Establishment of the "Procedures for Ethical Management and Guidelines for Conduct" in the Company and its Subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all directors and independent directors.
		2. Application for retirement of Mr. Charlie Tseng, CEO of the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all directors and independent directors.
Nov. 9, 2022	Seventh Meeting in 2022	1. Consolidated financial statements for the third quarter of 2022.	Approved with no objection from all directors and independent directors.
		2. Loan Renewal of US\$ 10 Million for Chin-Poon (Changshu) Electronics Co., Ltd. by Chin-Poon Holdings Cayman Limited.	Approved with no objection from all directors and independent directors.
		3. Establishment of the "Procedures for Disclosure of Material Information".	Approved with no objection from all directors and independent directors.
		4. Establishment of the "Operational Procedures for Preparation and Certification of the Sustainability Report".	Approved with no objection from all directors and independent directors.
		5. Amendments of the "Operational Procedures on Transactions between the Company, its Affiliated Enterprise, Specified Companies and Related Parties".	Approved with no objection from all directors and independent directors.
		6. Amendments of the "Measures for Sexual Harassment Prevention and Related Disciplinary and Appeal System".	Approved with no objection from all directors and independent directors.
		7. Ratification of Amendments in 2022 of Regulations and Procedures on Operations for the Company.	Approved with no objection from all directors and independent directors.
		8. Ratification of Amendments in 2022 of Regulations and Procedures on Operations for the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all directors and independent directors.



		9. Approval of the 2023 Annual Audit Plan.	Approved with no objection from all directors and independent directors.
Jan. 10, 2023	First Meeting in 2023	1. Business Plan and Budget for 2023.	Approved with no objection from all directors and independent directors.
		2. The company's year-end bonus proposal.	Approved with no objection from all directors and independent directors.
		3. Proposal for Year-end Bonuses for Mrs. Yu-Chih Tseng-Liu as the chairperson.	Approved with no objection from all directors and independent directors.
		4. KPMG's plan to change a CPA for auditing the Company's financial statements as of January 9, 2023. Appointment and Independence Assessment of the Company's CPAs for 2023.	Approved with no objection from all directors and independent directors.
		5. Establishment of the "Operational Procedures for Prevention and Protection of Child Worker and Worker Less Than Eighteen Years Old".	Approved with no objection from all directors and independent directors.
Mar. 13, 2023	Third Meeting in 2023	1. Business Report and Financial Statements for 2022.	Approved with no objection from all directors and independent directors.
		2. Proposal for Distribution of 2022 Profits and Retained Earnings.	Approved with no objection from all directors and independent directors.
		3. Proposal for the Compensation of Employees and the Remuneration of Directors of 2022.	Approved with no objection from all directors and independent directors.
		4. Statement on Effectiveness of the Design and Implementation of the Internal Control System in 2022.	Approved with no objection from all directors and independent directors.
		5. Proposal for Election of New Directors.	Approved with no objection from all directors and independent directors.
		6. Proposal for Releasing the Prohibition on Newly Elected Directors from Participation in Competitive Business.	Approved with no objection from all directors and independent directors.

		7. Proposal of the List of the Nominated Candidates for New Directors.	Approved with no objection from all directors and independent directors.
		8. Matters related to the 2023 Annual Shareholders' Meeting.	Approved with no objection from all directors and independent directors.
Mar. 13, 2023	Third Meeting in 2023	9. Matters related to Acceptance of Shareholders' Proposals.	Approved with no objection from all directors and independent directors.
Mar. 13, 2023	Third Meeting in 2023	10. 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 independent directors.
Mar. 13, 2023	Third Meeting in 2023	11. Amendments of Internal Control and of Internal Regulation.	Approved with no objection from all directors and independent directors.
Mar. 13, 2023	Third Meeting in 2023	12. Release of the obligation borne by the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd." providing after-sale guarantee by its Account Receivable of RMB 20 million for the Company.	Approved with no objection from all directors and independent directors.
Mar. 13, 2023	Third Meeting in 2023	13. Directors & Officers Liability Insurance Policy.	Approved with no objection from all directors and independent directors.

Note: At the shareholder meeting of Draco on April 28, 2023, it was resolved that DRACO PCB PUBLIC CO., LTD. be renamed CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD..

(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
Jan. 12, 2022	Tseng-Liu, Yu-Chih	Proposal for Year-end Bonuses for Mrs. Tseng-Liu as the chairperson.	Mrs. Tseng-Liu avoided to participate in the resolution of his/her own year-end bonus.	Mrs. Tseng-Liu has avoided the resolution because of conflicts of interest. The resolution has been approved with no objection from all directors and independent directors.
Mar. 14, 2022	Huang, Wei-Jin Lin, Pi-Chi Tung, Hsiao-Hung Lai, Hwei-Shan Tseng-Liu, Yu-Chih Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Proposal for Remuneration of Directors.	Each director avoided to participate in the resolution of 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.
Jan. 10, 2023	Tseng-Liu, Yu-Chih	Proposal for Year-end Bonus for Mrs. Tseng-Liu as the chairperson.	Mrs. Tseng-Liu avoided to participate in the resolution of her own year-end bonus.	Mrs. Tseng-Liu has avoided the resolution because of conflicts of interest. The resolution has been approved with no objection from all directors and independent directors.
Mar. 13, 2023	Huang, Wei-Jin Lin, Pi-Chi Tung, Hsiao-Hung Lai, Hwei-Shan Tseng-Liu, Yu-Chih Tseng, Wen-Yu Chen, Hsiang-Sheng Chen, Shi-Shu Hsu, Sung-Tsai	Proposal for Remuneration of Directors.	Each director avoided to participate in the resolution of 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 Items (Note 5)	Results
One year	January 1, 2022 to December 31, 2022	the Board as a Whole	Self- Evaluation by the Board	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	The self-evaluation by the Board as a whole got an excellent result with high scores on average. There was no specific item which needed to be improved.
		Individual Directors	Self- Evaluation by Directors	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	The self-evaluation by individual directors got an excellent result with high scores on average. There was no specific item which needed to be improved.
		Audit Committee	Self- Evaluation by the Audit Committee	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	The self-evaluation by the audit committee got an excellent result with high scores on average. There was no specific item which needed to be improved.
		Compensation Committee	Self- Evaluation by the Compensation Committee	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	The self-evaluation by the compensation committee got an excellent result with high scores on average. There was no specific item which needed to be improved.

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, 2022 to December 31, 2022.

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, any independent director's dissenting opinion or qualified opinion or the content of their major proposals, the resolutions of the audit committee on them and the Company's response to their opinions shall be specified:

The main tasks of the Audit Committee of the Company include the following matters:

1. Audit of financial statements and formulation of accounting policies and

procedures.

2. Internal control system and related policies and procedures.
3. A transaction involving material asset or derivatives trading.
4. A material monetary loan, endorsement, or provision of guarantee.
5. Financial derivatives trading and cash investment.
6. Regulatory compliance.
7. Issues concerning whether the managers and directors have related person transactions and possible conflicts of interest.
8. Information security.
9. Corporate risk management.
10. Assessment on qualification, independence and performance of certified public accountants.
11. Appointment, dismissal or remuneration of certified public accountants
12. Appointment and dismissal of CFO, accounting officer and internal auditing officer.
13. Fulfillment of duties of the audit committee
14. Self-assessment questionnaire on the audit committee performance

The Board of Directors has prepared the Company's 2022 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.

(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. 12, 2022	First Meeting in 2022	1. Appointment and Independence Assessment of the Company's CPAs for 2022.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Amendments of Internal Control and of Internal Regulation in the Company and its Subsidiary "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.
Mar. 14, 2022		1. Business Report and Financial Statements for 2021.	Approved with no objection from all members of the audit

Date	Meeting	Proposal	Resolution and Execution
	Second Meeting in 2022		committee and submitted to the board of directors for resolution.
		2. Proposal for Distribution of 2021 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 2021.	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.
May 11, 2022	Third Meeting in 2022	1. Consolidated financial statements for the first quarter of 2022.	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\$ 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.
		3. 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.
		4. The Company's Guarantee for the short-term credit line 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.
		5. Amendments of Internal Control and of Internal Regulation.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Jul. 8, 2022	Fourth Meeting in 2022	1. Establishment of the "Operational Procedures for Endorsements and Guarantees" in the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd.".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Agreement on the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd." providing after-sale guarantee by	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

Date	Meeting	Proposal	Resolution and Execution
		its Account Receivable of RMB 20 million for the Company.	
		3. 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.
		4. The Company's Guarantee for the one-year short-term credit line of US\$ 20 million for its subsidiary "Draco PCB Public Company Limited." to finance Draco's business in import and export.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Aug. 10, 2022	Fifth Meeting in 2022	1. Consolidated financial statements for the second quarter of 2022.	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.
Nov. 9, 2022	Sixth Meeting in 2022	1. Consolidated financial statements for the third quarter of 2022.	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\$ 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.
		3. Establishment of the "Procedures for Disclosure of Material Information".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. Establishment of the "Operational Procedures for Preparation and Certification of the Sustainability Report".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		5. Amendments of the "Operational Procedures on Transactions between the Company, its Affiliated Enterprise, Specified Companies and Related Parties".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		6. Amendments of the "Measures for Sexual Harassment Prevention and Related Disciplinary and Appeal System".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.



Date	Meeting	Proposal	Resolution and Execution
		7. Ratification of Amendments in 2022 of Regulations and Procedures on Operations for the Company.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		8. Ratification of Amendments in 2022 of Regulations and Procedures on Operations for the Company's subsidiary "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.
		9. Approval of the 2023 Annual Audit Plan.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Jan. 9, 2023	First Meeting in 2023	1. KPMG's plan to change a CPA for auditing the Company's financial statements as of January 9, 2023. Appointment and Independence Assessment of the Company's CPAs for 2023.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		2. Establishment of the "Operational Procedures for Prevention and Protection of Child Worker and Worker Less Than Eighteen Years Old".	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
Mar. 13, 2023	Third Meeting in 2023	1. Business Report and Financial Statements for 2022.	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 2022 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 2022.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.
		4. Amendments of Internal Control and of Internal Regulation.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

Date	Meeting	Proposal	Resolution and Execution
Mar. 13, 2023	Third Meeting in 2023	5. Release of the obligation borne by the Company's subsidiary "Chin-Poon (Changshu) Electronics Co., Ltd." providing after-sale guarantee by its Account Receivable of RMB 20 million for the Company.	Approved with no objection from all members of the audit committee and submitted to the board of directors for resolution.

Note: At the shareholder meeting of Draco on April 28, 2023, it was resolved that DRACO PCB PUBLIC CO., LTD. be renamed CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD..

(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 corporate governance supervisor, who is responsible for the 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 34% 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	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?			Subsidiaries”, “Internal Control System” and “Internal Audit System” and related laws and regulations. (4) The Company has established “Rules on Prohibiting Insider Trading” to prevent insiders from trading securities on undisclosed information.	(4) No difference.
3. Composition and Responsibilities of the Board of Directors	V			
(1) Has the Company established a diversification policy and set its specific target and had it implemented accordingly?			(1) In order to have a comprehensive view, the board of directors has different expertise and gender, and has implemented this diversification policy. Please refer to 3.3.2.1 for the details.	(1) No difference.
(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?			(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.	(2) No difference.
(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?			(3) The Company has implemented the performance evaluation of the board of directors in 2020.	(3) No difference.
(4) Does the Company regularly evaluate its CPAs' independence?			(4) The Company has been assessing the independence of CPAs every year.	(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 appointed chief corporate governance officer who is assisted by personnel from of CEO's Staff Office and form 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.
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?  (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.)?  (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?			<p>all listed companies in accordance with laws and regulations regularly and irregularly. The website of the Company is www.chinpoon.com.</p> <p>(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.</p> <p>(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.</p>	<p>(2) No difference.</p> <p>(3) No difference.</p>
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		<ul style="list-style-type: none"> <li>● The Company has established a continuous education and training system for directors and has implemented it.</li> <li>● When the board of directors was held, most of the directors attended.</li> <li>● The Company has established "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".</li> <li>● All departments of the Company have established their risk management policies and implemented them and have been improving their practice. On May 10, 2023, the annual report on the operation of risk management</li> </ul>	No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>has been presented to the board of directors.</p> <ul style="list-style-type: none"> <li>● The Company have got certification of ISO-9001, ISO-9002, ISO-14000, ISO-14001, QS-9000, TL-9000, TS-16949, AS 9100 Aerospace Quality Management System and other quality certification. The items listed in these certifications and environmental policies promoted by the Company are implemented on the quality commitment and responsibility for customers. They are facilitating a positive interaction between the Company and our customers.</li> <li>● 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.</li> </ul>	
<p>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.</p> <ul style="list-style-type: none"> <li>● The publication of the Company's Corporate Sustainability Report is expected to take place in 2023. In addition, some of the major sustainability issues has been disclosed on the Company's website in 2022.</li> </ul>				

### 3.4.6 Continuing Education and Training of Directors

Title	Name	Date	Education Center	Course	Hours
Independent Director	Chen, Shi-Shu	Oct. 28, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Independent Director	Chen, Shi-Shu	Oct. 26, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3
Director	Lai, Hwei-Shan	Oct. 14, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Lai, Hwei-Shan	Oct. 12, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3
Director	Tseng, Wen-Yu	Oct. 28, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Tseng, Wen-Yu	Jul. 27, 2022	Taiwan Stock Exchange	Conference on Roadmap for Sustainable Development by Industries	2
Director	Tseng, Wen-Yu	May 12, 2022	Taiwan Stock Exchange	International Twin Summit	2
Director	Lin, Pi-Chi	Oct. 28, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Lin, Pi-Chi	Oct. 19, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3
Director	Lin, Pi-Chi	May 12, 2022	Taiwan Stock Exchange	International Twin Summit	2
Independent Director	Hsu, Sung-Tsai	Jul. 27, 2022	Taiwan Stock Exchange	Conference on Roadmap for Sustainable Development by Industries	2
Independent Director	Hsu, Sung-Tsai	May 20, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Independent Director	Hsu, Sung-Tsai	May 12, 2022	S Taiwan Stock Exchange	International Twin Summit	2
Director	Tung, Hsiao-Hung	Oct. 28, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Tung, Hsiao-Hung	Oct. 5, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3



Chairperson	Tseng-Liu, Yu-Chih	Jul. 27, 2022	Taiwan Stock Exchange	Conference on Roadmap for Sustainable Development by Industries	2
Chairperson	Tseng-Liu, Yu-Chih	Jun. 10, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Chairperson	Tseng-Liu, Yu-Chih	May 4, 2022	Taiwan Stock Exchange	International Twin Summit	2
Independent Director	Chen, Hsiang-Sheng	Sep. 29, 2022	Taiwan Stock Exchange	Guidelines on the Exercise of Powers by Independent Directors and Audit Committees	3
Independent Director	Chen, Hsiang-Sheng	Jul. 27, 2022	Taiwan Stock Exchange	Conference on Roadmap for Sustainable Development by Industries	2
Independent Director	Chen, Hsiang-Sheng	May 20, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Huang, Wei-Jin	Oct. 21, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Director	Huang, Wei-Jin	Oct. 19, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3

### 3.4.7 Continuing Education and Training of Manages

Title	Name	Date	Education Center	Course	Hours
VP CFO Principal Accounting Officer	Rachel Lin	Sep. 29~ Sep. 30, 2022	Accounting Research and Development Foundation	Continuing Training Courses for Principal Accounting Officer of Listed Company.	3
Internal Auditing Officer	Candy Sung	Oct. 7, 2022	Accounting Research and Development Foundation	Seminar on Amendment of "Regulations Governing Establishment of Internal Control Systems by Public Companies" and on legal compliance and fraud prevention concerning cyber security"	6
Internal Auditing Officer	Candy Sung	Nov. 7, 2022	Accounting Research and Development Foundation	Seminar on Common Deficiencies in Internal Control Management and their Case Study	6
Chief Corporate Governance Officer	Yu-Chiao Huang	May 4, 2022	Taiwan Stock Exchange	International Twin Summit	2
Chief Corporate Governance Officer	Yu-Chiao Huang	May 20, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading	3
Chief Corporate Governance Officer	Yu-Chiao Huang	May 26, 2022	Independent Director Association Taiwan	2022 ESG Sustainable Development Raodmap Forum	3
Chief Corporate Governance Officer	Yu-Chiao Huang	Jun. 22, 2022	Taiwan Academy of Banking and Finance	Seminar on Corporate Governance and Corporate Sustainability	3
Chief Corporate Governance Officer	Yu-Chiao Huang	Jul. 27, 2022	Taiwan Stock Exchange	Conference on Roadmap for Sustainable Development by Industries	2
Chief Corporate Governance Officer	Yu-Chiao Huang	Oct. 5, 2022	Securities and Futures Institute	2022 Seminar on prevention of insider trading and Legal Compliance	3

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.

Information on the Members of the Compensation Committee

April 29, 2023

Title		Criteria	Professional Qualification & Work Experience	Independence Status (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name					
Independent Director	Chen, Hsiang-Sheng		National Taiwan Normal University Vice President, Chin-Poon Industrial Co., Ltd.	Compliance (without the case of Note 1)	1
Independent Director	Chen, Shi-Shu		National Chung Hsing University CPA, Kudos & Co., C.P.A.s	Compliance (without the case of Note 1)	0
Independent Director	Hsu, Sung-Tsai		Chinese Culture University Senior Assistant Manager, Standard Chartered Bank (Taiwan) Limited	Compliance (without the case of Note 1)	0

Note 1: The independent directors shall remain their independence status which include but is not limited to whether he or she, his or her spouse or relatives within the second degree of kinship are directors, supervisors or employees of the Company or its affiliates, the number and proportion of the Company's shares held by him or her, his or her spouse or relatives within the second degree of kinship (or held by the person under others' names), whether they serve as directors, supervisors or employees in a company that has a specific relationship with the Company (refer to the provisions of Article 6, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), and the amount of remuneration received for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.

### 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 23, 2020 to June 22, 2023. The compensation committee has held 5 meetings (A) for the most recent fiscal year (2022). 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	5	0	100	
Member	Chen, Shi-Shu	5	0	100	
Member	Hsu, Sung-Tsai	5	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.

### 3.4.8.4 Information on the Meetings of the Compensation Committee

Date	Meeting	Proposal	Resolution and Execution
Jan. 12, 2022	First Meeting in 2022	1. The Company's year-end bonus proposal.	Approved with no objection from all members.
		2. Proposal for Year-end Bonuses for Mrs. Yu-Chih Tseng-Liu as the chairperson.	Approved with no objection from all members.
Mar. 14, 2022	Second Meeting in 2022	1. Proposal for the Compensation of Employees and the Remuneration of Directors of 2021.	Approved with no objection from all members.
Jan. 9, 2023	First Meeting in 2023	1. The Company's year-end bonus proposal.	Approved with no objection from all members.
		2. Proposal for Year-end Bonuses for Mrs. Yu-Chih Tseng-Liu as the chairperson.	Approved with no objection from all members.
Mar. 13, 2023	Second Meeting in 2023	1. Proposal for the Compensation of Employees and the Remuneration of Directors of 2022.	Approved with no objection from all members.

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

#### (1) Environmental Management Policies and Systems

- a. The Company complies with the requirements of ISO 14001 to establish an environmental management system. We have been paying considerable attention to such significant environmental issues as the pollutions (including air pollution, water pollution and waste), water and electricity consumption and hazardous substances, which have been generated during the production process. We set up dedicated management units and personnel to prevent environmental pollution, which include air pollution, water pollution and waste, and to manage energy consumption efficiently.
  
- b. The Company regularly checks greenhouse gas emissions in accordance with ISO 14064-1 to review the impact on our operations. Based on the results of the greenhouse gas inventory, we will continue to implement carbon reduction measures to effectively reduce the risk of Scope 1 emissions and the indirect emissions of Scope 2 greenhouse gases caused by the use of electricity. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023. The annual internal audit plan is planned, aiming at the compliance with various relevant environmental laws and regulations, and at auditing each operating process to ensure that they are in accordance with the regulations.

#### (2) Energy Management

The energy used by the Company is mostly from purchased electricity, which is mainly used in the production processes and plant systems, followed by the consumption of natural gas used in the process of lamination. The other energy purchased are gas used in plants and gasoline and diesel used in passenger vehicles and light trucks.

Type	Unit	Plant	2021	2022
Electricity	1,000 kWh	Taoyuan Plant I	24,030.678	19,737.440
		Taoyuan Plant II	13,3081.4	118,148.400
		Pingzhen Plant	46,311.406	46,772.251
		Changshu Plant	125,513.201	131,644.340
		Total	328,936.685	316,302.431
Gasoline	1 M <sup>3</sup>	Taoyuan Plant I	0	4.018
		Taoyuan Plant II	9.572	0
		Pingzhen Plant	0	0
		Changshu Plant	62.572	56.614
		Total	72.144	60.632
Diesel	1 M <sup>3</sup>	Taoyuan Plant I	13.153	12.494
		Taoyuan Plant II	21.163	11.932
		Pingzhen Plant	31.93	12.301
		Changshu Plant	36.78	76.933
		Total	103.026	113.659
Natural gas	1,000 M <sup>3</sup>	Taoyuan Plant I	0	0
		Taoyuan Plant II	829.56	756.242
		Pingzhen Plant	234.835	212.873
		Changshu Plant	592.289	519.251
		Total	1,656.684	1,488.366

The Company has been managing energy saving, implementing energy management, and reducing production costs. Efficiency evaluation will be carried out when the equipment is installed. Irregular inspections of electricity consumption in the plants are carried out and the following energy-saving projects are implemented.

In order to cope with future energy risks, the Company continues to

implement energy-saving and power-saving plans to reduce power consumption in the production process. Each plant gradually replaces low-efficiency equipment and lamps, and formulates equipment energy-saving plans without affecting production efficiency.

● Electricity Consumption Intensity in 2021-2022

Electricity Consumption Intensity				
Resource	Unit	Plant	2021	2022
Electricity Consumption	kWh	Taoyuan Plant I	24,657,420	19,737,440
		Taoyuan Plant II	133,121,374	118,148,400
		Pingzhen Plant	44,333,400	46,772,251
		Changshu Plant I	39,659,052	38,740,693
		Changshu Plant II	100,681,251	92,903,647
Total			342,452,497	316,302,431
kWh / NT\$ 1,000,000 (Revenue)			22,077	20,450
Target for Electricity Consumption Intensity			8%	8%
Performance			12.9%	7.4%

The overall electricity consumption intensity in 2022 was 20,450 kWh / NT\$ 1,000,000 (Revenue), which was 7.4% lower than that in 2021. Although the target of reducing electricity consumption intensity by 8% has not been achieved, the Company continues to develop a variety of energy-saving projects and sets a 2023 target of reducing the consumption intensity by 5%.

Carbon Dioxide Equivalent Intensity with Electricity Consumption Converted into Carbon Dioxide Equivalent				
Resource	Unit	Plant	2021	2022
Electricity Consumption	CO <sub>2</sub> e	Taoyuan Plant I	12,551	10,046
		Taoyuan Plant II	67,759	60,138
		Pingzhen Plant	22,566	23,807
		Changshu Plant I	20,186	19,719
		Changshu Plant II	51,247	47,288
Total			174,308	160,998
Carbon Dioxide Equivalent / NT\$ 1,000,000 (Revenue)			11.2	10.4
Target for Electricity Consumption Intensity			8%	8%
Performance			12.9%	7.4%

In 2022, the overall carbon dioxide equivalent intensity of electricity consumption was 10.4 CO<sub>2</sub>e / NT\$ 1,000,000 (Revenue), which was 7.4% lower than that in 2021, and has not reached the target of reducing by 8%.



The Company continues to reduce electricity consumption and expects to achieve the target of reducing by 8% in 2023.

### (3) Water Management

#### a. Water Usage

Through the improvement of production processes and equipment, the efficiency of water usage is improved and the amount of recycled water is increased, thereby reducing the cost of water usage. The Company's manufacturing sites are mainly located in Taiwan and in China. Taoyuan Plant I, Taoyuan Plant II and Pingzhen Plant are all located in Taoyuan City, Taiwan. Changshu Plant I and Changshu Plant II are located in Changshu, China. The water source for plants and offices is 100% tap water. The average water consumption in 2022 is 259,000 m<sup>3</sup> / month, and the water fee in 2022 will reach NT\$ 57.17 million.

The sources of tap water in the Taoyuan City are Danan Water Treatment Plant and Pingzhen Water Treatment Plant. Their water reservoir is in the Shimen Dam. Due to the geographical location and topographical characteristics, there are often problems such as uneven rainfall and reservoir siltation in the area of Shimen Dam, which cause water shortage from time to time. The PCB industry needs large water consumption so that the stability of water resources is very important to its production.

In China, the Changshu plants use tap water from the Third Water Treatment Plant of Changshu Sino French Water Co., LTD. and its water reservoir comes from the upstream of the Yangtze River. The water source is sufficient and there are no water supply problems. Our usage does not affect the ecology of the water resource and have no impact on other purposes for the water source as well.

The distribution of rainfall in extreme climates around the world is extremely uneven, which is likely to cause regional and seasonal droughts, so that we can no longer ignore the problems of water utilization. We have been improving the usage of water and adopt the practices of "reducing, recycling, and reusing" to enhance the efficiency of water usage.

The Company understands that water is not easy to come by. It should formulate reasonable plans of water consumption for equipment, continuously improve technology to reduce water consumption, enhance water efficiency by effective usage of water and implement water-saving projects to reduce water consumption. It is our responsibility to continuously improve the use of water resources to increase economic benefits and to reduce the impact on the environment.

But on the whole, the total water consumption in our group has not increased significantly in the past three years and its water consumption per unit of revenue has gradually declined. The water consumption intensity by NT\$ 1 million of revenue in 2020, 2021 and 2022 were 280.8 m<sup>3</sup>, 251.6 m<sup>3</sup> and 241.2 m<sup>3</sup> respectively. That in 2022 was 4% lower than that in 2021. There was a downward trend in our water consumption intensity by NT\$ 1 million of revenue. And it is estimated that that will decrease further by 5% in 2023.

Due to the requirements of PCB production, the Company needs to use chemical substances in the manufacturing process, which consumes a lot of water. Based on the commitment of environmental conservation and of cherishing water resources, and on the approaches of "reducing, recycling, and reusing", each plant manages to implement a variety of projects to reduce water consumption and to recycle the used water. In order to improve the efficiency of water usage in the plants, water saving projects are mainly divided into three major categories: replacement of equipment in utilities, replacement of equipment in production and optimization of operations.

Water Consumption Intensity				
Resource	Unit	Plant	2021	2022
Water Consumption	1,000 m <sup>3</sup>	Taoyuan Plant I	134.5	97.4
		Taoyuan Plant II	1,601.9	1,373.2
		Pingzhen Plant	453.8	597.6
		Changshu Plants	1,711.9	1,662.1
Total			3,902.1	3,730.3
m <sup>3</sup> / NT\$ 1,000,000 (Revenue)			251.6	241.2
Target for Water Consumption Intensity			8%	5%
Performance			10%	4%

In 2022, the overall carbon dioxide equivalent intensity of water consumption was 0.000056 CO<sub>2</sub>e / NT\$ 1,000,000 (Revenue), which was 4% lower than that in 2021, and has not reached the target of reducing carbon dioxide equivalent intensity by 5%. The Company continues to improve it and expects to achieve the target of reducing by 5% in 2023.

Carbon Dioxide Equivalent Intensity with Water Consumption Converted into Carbon Dioxide Equivalent				
Resource	Unit	Plant	2021	2022
Water Consumption	CO <sub>2</sub> e	Taoyuan Plant I	0.031	0.023
		Taoyuan Plant II	0.373	0.320
		Pingzhen Plant	0.106	0.139
		Changshu Plants	0.399	0.387
Total			0.909	0.869
Carbon Dioxide Equivalent / NT\$ 1,000,000 (Revenue)			0.000059	0.000056
Target for Water Consumption Intensity			8%	5%
Performance			10%	4%

● 2021~2022 water usage

Plant	Taoyuan Plant I		Taoyuan Plant II		Pingzhen Plant		Changshu Plants	
Water Source	Danan Water Treatment Plant		Danan Water Treatment Plant		Pingzhen Water Treatment Plant		Changshu Sino French Water Co., LTD.	
Water Reservoir	Shimen Dam		Shimen Dam		Shimen Dam		Yangtze River	
Wastewater Plant	Ours		Ours		ORzone Environmental Technology Co., Ltd.		Ours	
Year	2021	2022	2021	2022	2021	2022	2021	2022
Water Consumption (1,000 m <sup>3</sup> )	134.5	96.4	1,601.9	1,373.2	453.8	597.6	1,711.9	1,662.1
Revenue (NT\$ 1 million)	979.2	1,079.2	5,313.5	4,685.7	2,558.4	2,897.9	6,660.6	6,804.3
Water Consumption by Revenue (1,000 m <sup>3</sup> / NT\$ 1 million)	0.14	0.09	0.30	0.29	0.18	0.21	0.26	0.24
Recycled Water (1,000 m <sup>3</sup> )	-		-		14.3		-	
Water Recycling Rate	-		-		2.40%		-	

## b. Waste Water Management

The waste water from production and from domestic sewage, which are produced by various plants in the Company, are divided into separate pipes and collected separately. After having been properly treated by appropriate waste water treatment and controlled by a series of measurements to meet the discharging requirements, they will be directly discharged to receiving water or sewage treatment centers in industrial areas according to laws and regulations.

After having been treated by a high-concentration pretreatment system, biological oxidation treatment, chemical coagulation treatment, sand filtration and activated carbon purification, the treated water of our Taoyuan Plant I and Taoyuan Plant II are discharged into Dakeng Creek or Wayao Creek and finally flow into Nankan River. The treated water of our Pingzhen Plant, after having been treated by a high-concentration pretreatment system, biological oxidation treatment and chemical coagulation treatment, are discharged into the sewage treatment center of Pingzhen Industrial Zone. Our Changshu plants has a dedicated waste water treatment plant which discharges the treated water to Dawengjiang after having treated them by a high-concentration pre-treatment system, an A2O system, a chemical coagulation system and a tertiary treatment system. Relevant water quality conditions are uploaded to the website of the local environmental protection agency in real time in accordance with the regulations of the local environmental protection agency and are available for public inspection.

In 2022, the volume of the treated water discharged from our plants in Taiwan and in China were around 1.76 million and 1.18 million tons respectively, accounting for 59% and 41% of our total discharge. The average wastewater discharge intensity by NT\$ 1 million of revenue in 2020, in 2021 and in 2022 are 256.4 m<sup>3</sup>, 218.1 m<sup>3</sup> and 191.0 m<sup>3</sup> respectively. Our Taoyuan Plants and Pingzhen Plant have also cooperated with environmental protection agencies and the sewage treatment center in Pingzhen Industrial Zone to implement total discharge control or voluntary discharge reduction to decrease the loading of sewage treatment. In addition to complying with regulations, we have adopted stricter standards to manage copper residue and ammonia nitrogen in the discharged water in order to

reduce the pollution and the impact on the receiving water and to achieve the goal of environmental friendliness.

Volume and Intensity of Wastewater Discharge						
Plant	Receiving Water	Unit	2019	2020	2021	2022
Taoyuan Plant I	Wayao Creek	m <sup>3</sup>	91,301	83,250	129,344	94,033
Taoyuan Plant II	Wayao Creek		1,849,487	1,581,613	1,502,561	1,282,016
Pingzhen Plant	Pingzhen Sewage Treatment Center		303,095	360,208	362,598	389,366
Changshu Plants	Dawengjiang		1,261,793	1,188,801	1,389,186	1,189,268
Total			3,505,676	3,213,872	3,383,689	2,954,683
1,000 m <sup>3</sup> / NT\$ 1 million of revenue			237.7	256.4	218.1	191.0

Furthermore, in order to confirm the results of waste water treatment, we actively review and improve the waste water pollution prevention and control system in our plants. Currently, the discharge levels of our plants in Taiwan and in China are maintained far better than the required criteria of local regulations.

The following table shows the water quality measured by our plants on a regular basis. All of them meet the national criteria for the discharged water.

Water Discharge Criteria and Our Plants' Status								
Monitoring Items	Taoyuan Plant I		Taoyuan Plant II		Pingzhen Plants		Changshu Plants	
	Criteria	Status	Criteria	Status	Criteria	Status	Criteria	Status
Discharge Volume (million tons / year)	0.53	0.09	2.55	1.28	0.65	0.39	2.23	0.12
pH	6~9	7.21	6~9	7.56	5~9	P1: pH7.9 P5: pH7.3	6~9	7.31
Copper (mg/l)	1.5	0.37	1.5	0.43	1.5	P1: 0.15 P5: 0.55	0.3	0.09
COD (mg/l)	120	22.15	120	48.5	400	P1: 143 P5: 105	50	23.19
BOD (mg/l)	50	5.62	50	7.33	-	-	-	-
Suspended Solids (mg/l)	50	5.05	50	5.19	100	P1: 7 P5: 15	30	7.56
Ammonia Nitrogen (mg/l)	-	-	-	25.9	30	ND	30	0.98

(4) Capital Expenditure related to Energy Conservation, Water Conservation and Pollution Prevention

The Company actively implements the ISO14001 management system and responds to sustainable development requirements. In 2021, the capital expenditure related to energy conservation, water conservation and pollution prevention for our plants in Taiwan and in China were NT\$ 34.74 million and NT\$ 28.66 million respectively, accounting for 8.0% and 2.7% of our total capital expenditure. Those in 2022 were NT\$ 26.95 million and NT\$ 45.88 million respectively, accounting for 5.8% and 13% of our total capital expenditure. In 2023, that in Taiwan is planned to be NT\$ 22.91 million, accounting for 7.6% of our total capital expenditure. The amount of that in 2023 is less than that in 2022, but we still continue to look for and focus on new technologies and approaches to optimize the equipment and projects for energy conservation, water conservation and pollution prevention in our plants.

Items	2021		2022		2023	
	Taiwan	China	Taiwan	China	Taiwan	China
Total Capital Expenditure (NT\$ in millions)	431.82	1,053.96	467.24	354.12	302.70	90.16
Capital Expenditure of Energy Conservation, Water Conservation and Pollution Prevention (NT\$ in millions)	34.74	28.66	26.95	45.88	22.91	0

Note: Exchange Rate: 1CNY = 4.4 NTD

(5) Use of Recycled Materials and Green Product Management

a. Compliance with laws and regulations

The Company actively follows the trend of green environmental protection and conforms to our customers' requirements of green products, and takes such approaches as a full participation of all employees and a comprehensive implementation of green products in the manufacturing and maintaining. We have formulated "Hazardous Substance Management Procedure ", and manages suppliers, raw materials and product quality accordingly to ensure that products meet relevant international standards on requirements of hazardous substances management (such as: RoHS,

REACH, California’s Proposition 65, etc.), which are our customers’ requirements as well. We have achieved 100% compliance with laws and regulations in 2022.

2022	Number of Cases	Compliance Rate
Compliance Risk Assessment	26	100%

**b. Hazardous Substance Management**

In order to effectively manage the implementation of suppliers' green products approaches, we compulsorily require suppliers to provide such documents as "Warranty of Non-Use of The Hazardous Substances" and "The Activity in Compliance with REACH Regulation" and other surveys and commitments. We also commission third party inspection organizations to provide reports to verify whether there are hazardous substances. In order to avoid contamination of raw materials, packaging materials and finished printed circuit boards during transportation or production, we also arrange for XRF testing of raw materials, packaging materials and finished goods every month.

**c. Actions of Green Products Management**

Item	Subitem	Achievement Rate
Commitment/ Declaration Signing Completion Rate	Warranty of Non-Use of The Hazardous Substances Signed by Suppliers	100%
	Declaration of Environmental And Occupational Health And Safety Management System	100%
Questionnaire Completion Rate	The Activity in Compliance with REACH Regulation	100%
	Supplier Hazardous Substance Questionnaire	100%
XRF Inspection Pass Rate	Raw Materials/Packaging Materials	100%
	Final Product	100%
Third-Party Inspection Report Pass Rate		100%

In addition, for raw material suppliers, we conduct regular audit plans every year. For suppliers with audit deficiencies, we will provide specific improvement suggestions and time limit for correction. In order to maintain better mutual understanding and good interaction with our supplier, we will

hold seminars and training programs for our supplier from time to time and provide multiple and timely communication channels, such as: Email, telephone or face-to-face communication. We have established a dedicated unit for a direct contact to enhance our suppliers' better understanding of green products.

#### (6) Waste management

In order to achieve sustainable resources recycling, the Company's principle of waste treatment is to give priority to reuse in the factories and reducing the use of raw materials. The resources which cannot be reused in the factories will be sent to recycling facilities. In the end, those which cannot be recycled will be treated with incineration or other treatments. We have been managing to actively move towards the goal of green industry. The wastes needed to be cleaned up must be clearly classified first, and then be commissioned to the companies obtaining the waste clearance and disposal permission in accordance with the Waste Disposal Act. All commissioned companies are required to have obtained the waste clearance and disposal permission. Those companies should be under strict selection procedures before the commissions and their performance should be subject to uncompromising audits. Following the correct procedures of clearance and disposal of the wastes, we will file the wastes clearance declaration before their removal, classify them during their removal, and obtain proper disposal documents after their treatment.

The types of waste are divided into two categories: general industrial waste and hazardous industrial waste. Their volume in the past two years is as follows:



Categories	Treatment	2020		2021		2022	
		kg	kg / M <sup>2</sup>	kg	kg / M <sup>2</sup>	kg	kg / M <sup>2</sup>
General	Incineration & Physical Treatments	2,204,391	1.49	2,376,451	1.46	2,105,870	1.51
	Recycling	1,084,368	0.73	1,112,006	0.68	1,285,258	0.92
Hazardous	Incineration & Physical Treatments	932,878	0.63	988,933	0.61	810,080	0.58
	Chemical Treatments & Stabilization	1,186,812	0.80	1,971,778	1.21	1,414,469	1.01
	Recycling	2,380,010	1.61	2,762,200	1.70	2,553,879	1.83

Whether it is general industrial waste or hazardous industrial waste, we gradually enhance the recycling methods to reduce the impact on the environment.

#### (7) Air Pollution Management

The air pollutants generated in the production of printed circuit boards mainly include acid waste gas, alkaline waste gas and volatile organic waste gas. In our results of air pollution management, the total emissions of all pollutants in 2022 decreased compared with 2021, except for nitrogen oxides which increased by 46%. There will be no emissions of sulfur oxides. And volatile organic compounds and suspended particles decreased by 13% and by 28% respectively.

The Company has been managing to reduce the air pollutants emitted during production by taking such measures as changing raw materials, increasing the efficiency of collecting air pollutants at the processes of production and properly maintaining equipment for air pollution prevention that the levels of pollutants detected over the years were all lower than the criteria set by the laws and regulations of environmental protection.

In order to reduce more air pollutants emitted by production, in addition to setting up a variety of facilities for air pollution prevention and control, the

Company has also actively carried out a lot of projects to improve air pollution prevention. The achievements over the years are as follows:

- Replacing diesel boilers with natural gas boilers in Taoyuan Plants and having reduced annual emission of sulfur oxide by 2.6 kg and of nitrogen oxide by 130.8 kg.
- Centralizing production of aluminum lamination in Pingzhen Plant to reduce consumption of natural gas on idle time in production and having reduced annual emission of nitrogen oxide by 1200 kg.
- Replacing organic 2-1 unit of processing volatile organic compound with zeolite rotor concentrator + CO exhaust gas treatment device in Changshu Plant I and having reduced annual emission of volatile organic compounds by 160 kg.
- Replacing pleated filters in the dust collectors with sintered porous polyethylene (PE) filter in Changshu Plant II and having reduced annual emission by 1721 kg per year.
- Re-modelling the boilers into using low-nitrogen combustion and having reduced annual emission of nitrogen oxide by 1001 kg.

These measures and others have effectively enhanced the efficiency of air pollution prevention and control.

The air pollutants emission intensity by NT\$ 1 million of revenue in 2021 is 4.27 kg, and reduced to 3.79 kg in 2022, which shows a downward trend.

● 2020-2022 Statistics of Air Pollutants Emission

Air Pollutants Emission and its Intensity					
Pollutant	Unit	Plant	2020	2021	2022
Nitrogen oxides	kg	Taoyuan Plant I	0.0	0.0	0.0
		Taoyuan Plant II	960.0	1,100.7	1,053.2
		Pincheng Plant	1,059.7	1,348.5	1,342.1
		Changshu Plant I	0.0	155.0	238.0
		Changshu Plant II	1,260.0	259.0	1,533.0
	Total	3,279.74	2,863.2	4,166.3	
	kg / NT\$ 1,000,000 (Revenue)	0.26	0.18	0.27	
Sulfur oxides	kg	Taoyuan Plant I	0.0	0.0	0.0
		Taoyuan Plant II	0.1	0.0	0.0
		Pincheng Plant	0.0	0.0	0.0
		Changshu Plant I	0.0	0.0	0.0
		Changshu Plant II	0.0	0.0	0.0
	Total	0.1	0.1	0.0	
	kg / NT\$ 1,000,000 (Revenue)	0.00	0.00	0.00	
Volatile Organic Compounds	kg	Taoyuan Plant I	23,019.9	26,508.2	22,275.3
		Taoyuan Plant II	26,912.1	19,426.1	12,446.3
		Pincheng Plant	8,770.3	9,693.5	12,861.5
		Changshu Plant I	1,193.0	1,026.0	1,869.0
		Changshu Plant II	717.0	1,398.0	1,081.0
	Total	60,612.3	58,051.8	50,533.1	
	kg / NT\$ 1,000,000 (Revenue)	4.84	3.74	3.27	
Suspended Particles	kg	Taoyuan Plant I	3.2	4.2	5.0
		Taoyuan Plant II	3,636.0	3,817.5	3,076.0
		Pincheng Plant	20.3	32.8	37.3
		Changshu Plant I	193.0	205.0	38.8
		Changshu Plant II	1301.0	1311.0	683.3
	Total	5,153.6	5,370.5	3,840.3	
	kg / NT\$ 1,000,000 (Revenue)	0.41	0.35	0.25	

(8) Inventory of greenhouse gas emissions

The Company regularly checks greenhouse gas emission in accordance with ISO 14064-1. The boundary range includes plants in Taiwan and in China, so as to grasp the overall greenhouse gas emission status and to review and

set our yearly goals. Our results of the greenhouse gas inventory in 2021 and in 2022 were 197,445.978 tons CO<sub>2</sub>e / year and 173,929.290 tons CO<sub>2</sub>e / year, respectively. That in 2022 was 12% lower than that in 2021. We continue to implement carbon reduction measures to meet the emission targets expected by our customers and the government.

The scope of inventory is as follows:

Category	Scope	Execution Method
Scope 1 Direct greenhouse gas emission	1. Direct emissions from stationary combustion, such as electricity generators, boilers 2. Direct emissions from mobile combustion, such as official vehicles, stackers, etc., which consume petrochemical raw materials to produce greenhouse gases. 3. Direct fugitive emissions from the release.	Qualitative and quantitative examination.
Scope 2 Energy indirect greenhouse gas emission	Imported electricity	Qualitative and quantitative inspections.
Scope 3 Other indirect greenhouse gas emission	Employees' commuting, outsourcing, such as: waste removal, air/sea/land transportation contractors, etc.	Verification not carried out.

### Greenhouse Gas Emissions

Unit: tons CO<sub>2</sub>e / year

Region		Taiwan	China
2021	Scope 1	5,141.674	4,870.448
	Scope 2	102,451.450	84,982.405
	Subtotal	107,593.124	89,852.854
	Total	197,445.978	
2022	Scope 1	2,171.627	1,434.032
	Scope 2	93,838.269	76,485.362
	Subtotal	96,009.896	77,919.394
	Total	173,929.290	

Note:

1. The above data are rounded to the third decimal place.
2. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023.
3. Greenhouse gas emission factors are based on "2006 IPCC Guidelines for National Greenhouse Gas Inventories ", "Electricity Carbon Emission Factor for 2020" by the Bureau of Energy, Ministry of Economic Affairs, Taiwan, and "Greenhouse Gas Emissions Factors Management Table Version 6.0.4" by the Environmental Protection Administration, Executive Yuan, Taiwan, "Baseline Emission Factors for Regional Power Grids in China " and "China Energy Statistical Yearbook 2016".
4. The Global Warming Potential (GWP) values for various greenhouse gases in 2021 were based on the IPCC's fifth assessment report in 2013 (GWP 100-year). The GWP values for various greenhouse gases in 2022 were based on the IPCC's sixth assessment report in 2013 (GWP 100-year).
5. The greenhouse gas include CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub>.
6. The Company's inventory of the greenhouse gas emissions is based on the emissions in the production of printed circuit boards, which is characteristic of the PCB industry where the Company is.

## (9) Climate Change Management Policy

The Company takes the Sustainability Committee as the top authority on climate change management, which is presided by the chairperson of the board of directors. It reviews the Company's climate change strategy and goals, manages climate change risks and opportunities, reviews the implementation status and discusses future plans, and reports to the board of directors every year.

The Company regularly checks greenhouse gas emissions in accordance with ISO 14064-1 to review the impact on our operations. Based on the 2023 results of the greenhouse gas inventory, we will continue to implement carbon reduction measures. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023.

At the same time, in accordance with the framework developed by the Task

Force on Climate-related Financial Disclosures (TCFD) published by the Financial Stability Board, the Company have considered the characteristics of the production process and supply chain in the PCB industry, and evaluated the risks and opportunities of climate change for the Company. In order to reduce the risk factors, the Company has also established the Sustainability Committee to supervise and manage issues on environmental conservation and climate change, to identify feasible opportunities and develop proper approaches, and to evaluate and manage the short- term, medium- term and long-term risks and to develop the transformation strategies for climate change. The committee use the "risk matrix" to evaluates the frequency of major climate risk events and the severity of their impact on our operations, to prioritize items of risk control and define a full spectrum of risk levels and to take proper approaches of risk control to deal with issues with different risk level. In the long-term, our vision is to implemented in the Company the system developed by Task Force on Climate-Related Financial Disclosure (TCFD) and to disclose the TCFD report. The Company is planning to gradually improve our related disclosure from "climate risk disclosure" to "climate-related financial disclosure", and to establish a target management and a disclosure mechanism, which are based all on quantitative performance indicators.

#### a. Framework for Climate Risk and Opportunities

Working Group I report in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) states that the average global surface temperature from 2011 to 2020 was approximately 1.09°C higher than the average temperature from 1850 to 1900, representing the pre-industrialization period. The report explicitly indicates the need for active measures such as net-zero carbon emissions or carbon neutrality to control global warming and limit temperature increase to no more than 1.5°C.

In the face of highly uncertain climate risks and the global pursuit of net-zero carbon emissions, the Financial Stability Board (FSB) has introduced the Task Force on Climate-Related Financial Disclosures (TCFD) framework to assist enterprises in managing climate-related issues.

We recognize that climate change risks and opportunities for enterprises should not only be identified but also linked to operational strategies through

assessment and management. This is one of the most critical issues of sustainable management for enterprises. Therefore, the Company has adopted the TCFD framework to analyze risks and opportunities in various aspects, such as policy and regulations, market and technological transitions, reputational and physical risks. We develop adaptation and mitigation strategies, disclose climate-related financial information, and enhance communication with stakeholders.

Framework	Strategies and Actions
Governance	<ul style="list-style-type: none"> <li>● "Board of Directors": It reviews sustainable management strategies, major action plans, risk management policies, and annual execution results.</li> <li>● "Sustainable Development Committee": This is the highest management committee responsible for climate-related issues, which is chaired by the Chairperson and CEO with department heads overseeing the operation of subsidiary committees. The committee includes representatives from all operational units and is responsible for establishing and implementing guidelines for ESG issues, reviewing performance targets, monitoring implementation, and reporting to the Board of Directors annually.</li> <li>● "Greenhouse Gas Audit Team": Under the jurisdiction of the Sustainable Development Committee, this team is primarily responsible for assessing and/or managing climate-related issues, reviewing key performance indicators, setting short, medium, and long-term goals, and implementing strategies to enhance resource efficiency, to assess the use of renewable energy and to manage carbon emissions, and actively achieving effective green management.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>● Five opportunities and ten risks have been identified based on the TCFD framework.</li> <li>● Three different warming scenarios are analyzed to assess the potential financial impacts of climate change on the Company's operations.</li> <li>● Guided by the "ESG Policy" and "Environmental Resource Policy," plans and actions are implemented to mitigate climate change-related issues, while staying updated on global climate action trends and continuously striving towards carbon neutrality goals.</li> </ul>

Framework	Strategies and Actions
Risk Management	<ul style="list-style-type: none"> <li>● Based on the range and conditions of climate change impacts, risks are scored according to the probability and severity of physical and transitional risks (degree of impact). They are then divided into different quadrants. For risks of high-frequency and of high-severity, the management measures are developed through cross-departmental discussions.</li> </ul>
Indicators & Goals	<ul style="list-style-type: none"> <li>● Climate change-related management indicators are set, including: <ul style="list-style-type: none"> <li>- Greenhouse gas emissions intensity by NT\$ 1 million of revenue (tCO<sub>2</sub>e / NT\$ in million): Maintain below 15.5 in 2023 and below 12 in 2025.</li> <li>- Water consumption intensity by NT\$ 1 million of revenue (m<sup>3</sup> / NT\$ in million): Maintain below 222 in 2023 and below 200 in 2025.</li> <li>- Electricity consumption intensity by NT\$ 1 million of revenue (kWh / NT\$ in million): Maintain below 3,544 in 2023 and below 3,198 in 2025.</li> </ul> </li> <li>● In accordance with the Greenhouse Gas Inventory Guidelines and ISO 14064-1 standard, our emissions inventory has been audited and verified by a third-party to assess the climate change impacts faced by the Company and to implement mitigation measures. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023.</li> <li>● In response to regulations on climate change and greenhouse gas reduction, our targets for greenhouse gas reduction have been set for 2025 (-25%) and 2050 (net zero).</li> </ul>

#### b. Identification of Climate Change Risks and Opportunities

Through relevant departments within the "Sustainable Development Committee," climate change risks and opportunities that may be faced within their business scope respectively are identified and analyzed. Using a matrix based on the probability (3 levels) and impact (3 levels) of each risk and opportunity, significant risks and opportunities are identified, and management measures are developed to mitigate, transfer, or avoid potential impacts. The matrix analysis indicate that transitional and physical risks include total amount control, carbon



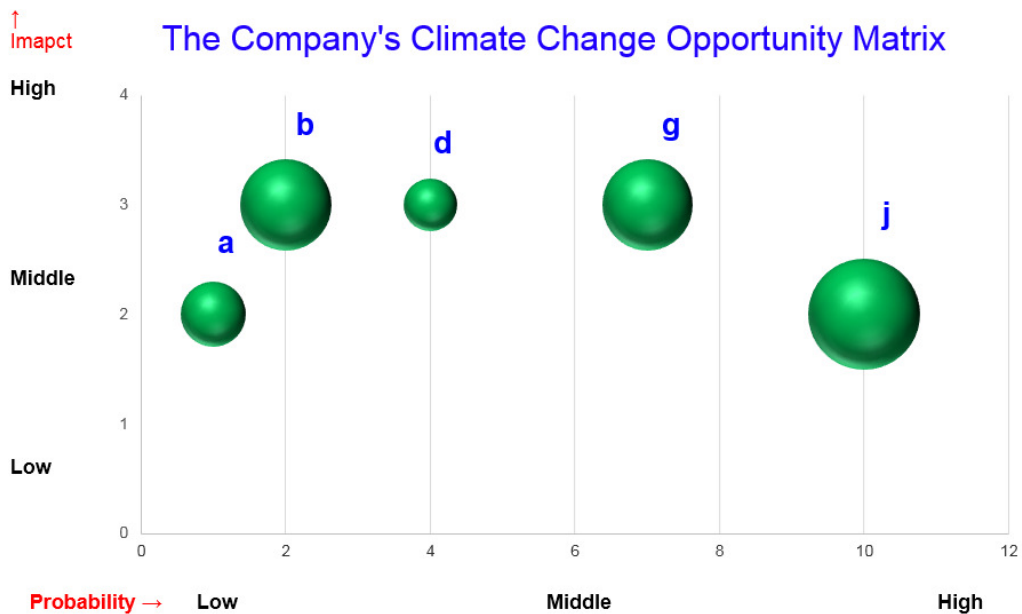
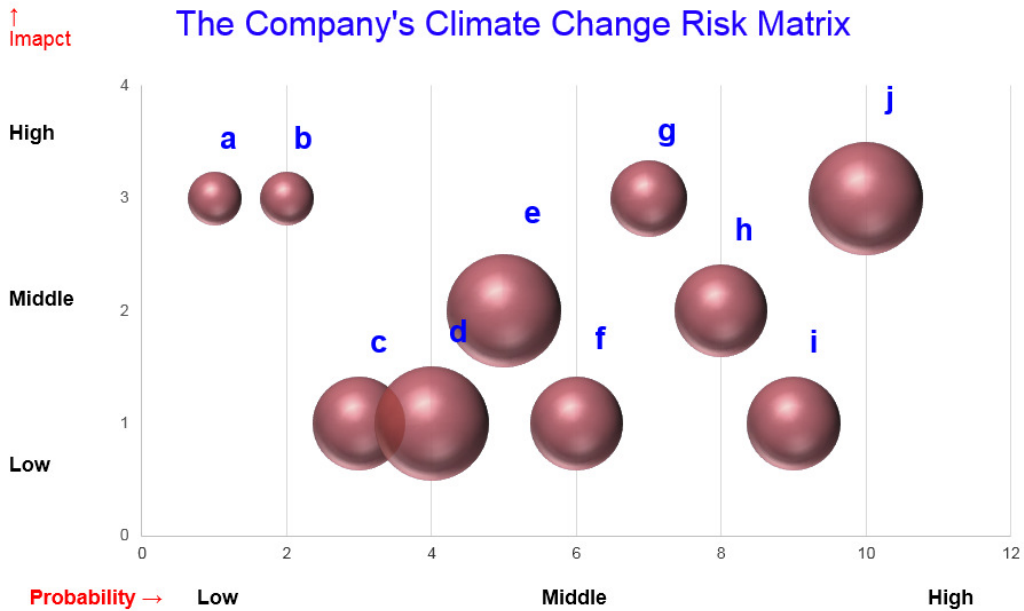
emissions trading, changes in average rainfall, uncertainty of new regulations, carbon taxes, energy taxes / fuel taxes, renewable energy regulations, etc. In terms of opportunities, they include production processes, low-carbon energy, water utilization, alternative or diversified resources, etc.

Indicator	Description	Risk Level
Exposure	Loss of an enterprise due to climate change	1 : Below NT\$ 200,000 2 : NT\$ 200,000~1,000,000 3 : Above NT\$ 1,000,000
Vulnerability	Degree to which an enterprise is vulnerable to climate change	1: completely or almost unlikely 2: likely to happen 3: very likely or certainly to happen
Hazard	Probability of climate disasters occurring in the future	1 : 50% ↓ 2 : 50~90% 3 : 90% ↑

Indicator	Description	Risk Level
Benefit	Benefits from the resources invested	1 : Below NT\$ 1,000,000 2 : NT\$ 1,000,000~5,000,000 3 : Above NT\$ 5,000,000
Positivity	Likelihood that the business will be subject to positive change	1: completely or almost unlikely 2: likely to happen 3: very likely or certainly to happen
Occurrence	Probability of external opportunities occurring in the future	1 : 50% ↓ 2 : 50~90% 3 : 90% ↑

Hazard / Benefit		Low	Middle	High	Low	Middle	High	Low	Middle	High	Vulnerability / Occurrence
		1	2	3	1	2	3	1	2	3	
High	3	M	M	H	M	H	H	H	H	H	Exposure / Positivity
Middle	2	L	L	M	L	M	H	M	H	H	
Low	1	L	L	M	L	L	M	L	M	H	
Climate Risk Assessment		1			2			3			Exposure / Positivity
		Low			Middle			High			

Code	Assessment Item	Risk				Risk Status	Opportunity				Opportunity Status
		Impact		Probability			Impact		Probability		
		Exposure	Hazard	Vulnerability	Hazard * Vulnerability		Positivity	Benefit	Occurrence	Benefit * Occurrence	
a	Triggered Natural Resource Changes	3	1	2	2	Middle	2	1	3	3	Middle
b	Introduction of New Technologies (low-carbon, environmentally friendly technologies, etc.)	3	2	1	2	Middle	3	3	2	6	High
c	Sea Level Rise	1	2	3	6	Middle	-	-	-	-	-
d	Regulatory Compliance (renewable energy, carbon emissions, etc.)	1	3	3	9	High	3	1	2	2	Middle
e	Mandatory Reporting (carbon emissions, air pollution control)	2	3	3	9	High	-	-	-	-	-
f	Temperature Changes	1	3	2	6	Middle	-	-	-	-	-
g	Investment in New Equipment	3	2	2	4	High	3	3	2	6	High
h	New Tax Systems (fuel/energy/carbon taxes)	2	2	3	6	High	-	-	-	-	-
i	Shifts in Rainfall Patterns	1	3	2	6	Middle	-	-	-	-	-
j	Total Amount Control / Carbon Emissions Trading	3	3	3	9	High	2	3	3	9	High



Category	Source of Risk/Opportunity	Risk Detail	Category	Impact/Relevance	Likely Time to Occur
Transformational / Physical Risks	New Tax Systems (carbon taxes)	Carbon tax	Transformational	High	Medium-term
	Mandatory Reporting (carbon emissions, air pollution control)	Carbon emissions control	Transformational	High	Medium-term
	Triggered Natural Resource Changes	Requirements for the proportion of renewable energy	Transformational	Middle	Medium-term
	Total Amount Control / Carbon Emissions Trading	Increased requirements for climate information disclosure	Transformational	High	Medium-term
	Total Amount Control / Carbon Emissions Trading	More demand from customers for verification of implementation on sustainable development	Transformational	High	Medium-term
	Introduction of New Technologies (low-carbon, technologies)	Low carbon technology transformation	Transformational	Middle	Long-term
	New Tax Systems (fuel/energy tax)	Rising fossil fuel prices and changes to tax requirements	Transformational	High	Long-term
	Regulatory Compliance (renewable energy, carbon emissions, etc.)	Uncertainty of new regulations	Transformational	High	Medium-term
	Temperature Changes	Extreme temperature changes	Physical	Middle	Long-term
	Shifts in Rainfall Patterns	Changes in rainfall patterns and distribution	Physical	Middle	Long-term
Opportunity	Investment in New Equipment	Production processes	Opportunity	High	Long-term
	Triggered Natural Resource Changes	Low carbon energy	Opportunity	Middle	Medium-term
	Triggered Natural Resource Changes	Water utilization	Opportunity	Middle	Medium-term
	Triggered Natural Resource Changes	Alternative or multi-sourced resources	Opportunity	Middle	Medium-term

Remarks: Short-term: 1~3 years; Medium-term: 4~7 years; Long-term: more than 7 years

Risk Sources	Category	Occurrence	Impact	Management Measures
Total Amount Control / Carbon Emissions Trading (Increased requirements for climate information disclosure)  (More demand from customers for verification of implementation on sustainable development)	Transformational	Medium-term	China - In response to Suzhou's energy development plan, Changshu Plants implements energy transformation from six aspects such as energy, supply, structure, industry, technology and change. Facing more stringent power and carbon total amount control in the future, we need to consider equipment with capability of power saving and low carbon emissions when we are planning to expand our operation scale and production capacity.	<ul style="list-style-type: none"> <li>Follow the ISO14064 greenhouse gas inventory standard to implement inventory operations, and continuously monitor and manage to reduce carbon emission intensity.</li> <li>Continue to expand R&amp;D capabilities and cooperate with equipment manufacturers and material manufacturers to develop low-carbon technologies.</li> </ul>
Shifts in Rainfall Patterns (Changes in rainfall patterns and distribution)	Physical	Long-term	Most of the rainfall is concentrated in some areas, leading to water shortages.	<ul style="list-style-type: none"> <li>Regularly monitor the water situation. At the initial stage of construction, each plant has taken into account the usage and retention of water resources and has set up water storage tanks in the plant. In normal times, track the storage volume of reservoirs in each region and monitor and manage the water usage of each plant.</li> <li>Hold a contingency meeting during the drought.</li> <li>The emergency response team for water usage will make unified scheduling of water trucks, water tanks,</li> </ul>

Risk Sources	Category	Occurrence	Impact	Management Measures
				water sources and other water resources to ensure uninterrupted operation.
Regulatory Compliance (renewable energy, carbon emissions, etc.)  Triggered Natural Resource Changes	Transformational	Medium-term	"Climate Change Response Act", "Renewable Energy Development Act", "Sustainable Development Roadmap for Listed Companies" and other regulations and requirements in the future.	<ul style="list-style-type: none"> <li>● Continue to pay attention to the trend of regulations and assess the content of the drafts of new regulations.</li> </ul>
New Tax Systems (carbon taxes)  Introduction of New Technologies (low-carbon technologies)	Transformational	Medium-term	<p>"Climate Change Response Act" will levy carbon fees in Taiwan, which will limit capacity expansion and increase operating costs.</p> <p>The installation and operation of carbon reduction equipment will increase operating costs.</p>	<ul style="list-style-type: none"> <li>● Follow the ISO 14064 greenhouse gas inventory standard, implement inventory and continuous monitoring management and reduce carbon emission intensity.</li> <li>● Continue to expand R&amp;D capabilities and cooperate with equipment manufacturers and material manufacturers to develop low-carbon technologies.</li> <li>● Set carbon reduction goals, continuously evaluate and plan carbon offset strategies, and move towards the goal of carbon neutrality.</li> </ul>
New Tax Systems (fuel / energy taxes)	Transformational	Long-term	The introduction of energy tax and fuel tax will increase operating expenses.	<ul style="list-style-type: none"> <li>● Pay attention to changes in laws and regulations, and establish the responsive measures in advance to meet the requirements of laws and regulations.</li> <li>● Improve energy efficiency through equipment improvement and renewal.</li> </ul>
Triggered Natural Resource Changes (Requirements for the proportion of renewable energy)  Regulatory Compliance (renewable energy)	Transformational	Medium-term	In response to the regulations on the development of renewable energy, the plants in Taiwan will install and use renewable energy in accordance with the regulations, which will increase capital expenditure.	<ul style="list-style-type: none"> <li>● Plan the use of renewable energy according to the demand and evaluate the installation of solar photovoltaic before 2030.</li> </ul>
Temperature Changes (Extreme temperature changes)	Physical	Long-term	The average temperature rises in summer. In order to maintain the temperature and humidity conditions in the plants, more air-conditioning systems need to be turned on to meet the demand for production or electricity.	<ul style="list-style-type: none"> <li>● Improve the efficiency of the air conditioning system and install inverters for intelligent control, which can reduce energy usage and greenhouse gas emissions</li> </ul>

Opportunity Sources	Category	Occurrence	Impact
Investment in New Equipment (Production processes)	Long-term	<ul style="list-style-type: none"> <li>● Reduce the defective rate of products to reduce the cost of scrapping.</li> <li>● Reduce the consumption of other potions to reduce the cost of potions.</li> </ul>	<ul style="list-style-type: none"> <li>● Introduce circular economy thinking to reduce carbon emissions and energy usage.</li> <li>● Introduces new potions used in the plating process.</li> </ul>
Triggered Natural Resource Changes (Low carbon energy)	Medium-term	The boilers in our plants used to use fuel oil, diesel oil, etc. as fuel, and have gradually changed the fuel source to natural gas, which can effectively reduce the greenhouse gas emissions generated by burning fossil fuels.	<ul style="list-style-type: none"> <li>● Continue to replace high-energy-consuming equipment and improve energy efficiency before 2025, plan to use renewable energy and solar photovoltaic devices before 2030, and continue to pay attention to the trend of laws and policies to promote improvement plans for low-carbon and energy-saving.</li> </ul>
Triggered Natural Resource Changes (Water utilization)	Medium-term	Improve water usage efficiency and reduce dependence on raw water.	<ul style="list-style-type: none"> <li>● Recycle the water used in production, monitor the water quality of recycled water, direct them to proper systems according to their water quality, and continuously improve the recycling rate of used water.</li> </ul>
Triggered Natural Resource Changes (Alternative or multi-sourced resources)	Medium-term	Improve the climate resilience and risk tolerance of the supply chain and stabilize supply sources.	<ul style="list-style-type: none"> <li>● Plan to assess and manage procurement risks through cross-departmental supply chain management.</li> </ul>

### c. Climate Transition Scenario Analysis

Based on the identification of climate risks, the Company has conducted an analysis of three different warming scenarios such as RCP2.6, RCP4.5-6.0, and RCP8.5, which are projected for the year 2050. These scenarios represent three scenarios with strict temperature control, with attempts to reduce greenhouse gas emissions and with no attempts at all respectively. We have made the parametric assumptions on the transformational and physical risk factors and estimated financial impacts. The risk factors assumed were carbon taxes, market share and changes in temperature and precipitation. We have conducted the simulations based on them. In all three scenarios, the primary financial impacts were increased costs and decreased revenue.

Item		Scenario Analysis		
		RCP2.6 (low emission)	RCP4.5-6.0 (stable / moderate emission)	RCP8.5 (high emission)
Transformational Risk Factors	Emission Intensity (tCO <sub>2</sub> e / NT\$ 1 million of revenue)	15.5	12	-
	Market Share (%)	Down by 3%-5%	Down by 3%-5%	-
Physical Risk Factors	Temperature	<1.5°C	+0.9~2.3°C	+3.2~5.4°C
	Rainfall (mm / day)	4.2 mm / day	4.55 mm / day	4.8 mm / day
Impact on Financials		Carbon tax leads to cost increase. Products are replaced by low-carbon products, resulting in decrease of the revenue.	Carbon tax leads to cost increase. Products are replaced by low-carbon products, resulting in decrease of the revenue.	Extreme weather causes damage to equipment and interrupt operations. Extreme weather leads to supply chain disruption.

Note 1: Representative Concentration Pathways (RCP) are "scenario assumptions" for different levels of anthropogenic greenhouse gas emissions.

Note 2: RCP2.6 represents a scenario with relatively lower greenhouse gas increases. Radiative forcing peaks around the mid-21st century at 3Wm<sup>-2</sup>, approximately equivalent to a carbon dioxide concentration of 490ppm, and then gradually declines by the end of the 21st century. This scenario assumes strict temperature control by countries and significant reductions in greenhouse gas emissions.

Note 3: RCP4.5-6.0 represents a scenario where radiative forcing stabilizes by the end of the 21st century, ranging from approximately 4.5Wm<sup>-2</sup> to 6Wm<sup>-2</sup>, approximately equivalent to carbon dioxide concentrations of 650-850ppm. It signifies efforts by countries to achieve greenhouse gas reduction targets while maintaining moderate to moderately high emissions.

Note 4: RCP8.5 represents a scenario with a continuous increase in radiative forcing exceeding 8.5Wm<sup>-2</sup>, resulting in carbon dioxide concentrations greater than 1,370ppm. This represents the worst-case scenario with no reduction in greenhouse gas emissions by countries and high emissions continuing.

Note 5: The decrease in market share is attributed to the continuous high expectations and requirements for green products in the market.

### 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. We have also acquired the certificate of ISO 45001 Occupational Health & Safety Management System since 2020.

#### (1) Labor Safety Policy

Employees are the most precious assets of an enterprise. And ensuring the safety and health of employees is the most important responsibility of an enterprise. In order to make our commitment to labor safety and health, the Company has established an occupational safety and health management system to comply with occupational safety and health regulations and other requirements, to be in accordance with ISO45001 and to meet customers' requirements. The goal of the system is to reduce any and all hazards and risks to our employees. We actively implement environmental and occupational safety and health policies and make sure that all employees can fully understand those policies through proper communication. We have been upholding the occupational safety and health policy of "compliance with laws and regulations, prevention first, safety first, and continuous improvement."

We commit to the following goals:

- a. To provide safe working conditions and environment to protect the safety and health of employees.
- b. To comply with laws, regulations and other relevant requirements and fulfill corporate social responsibilities.
- c. To eliminate hazards and reduce occupational safety and health risks, and improve the working safety of all employees.
- d. To continuously improve the occupational safety and health management

- system and improve the performance of safety and health management.
- e. To enhance the communication channels, implement the consultation of workers and labor representatives, and participate in safety and health related activities.

## (2) Occupational Accidents

When an employee is injured due to a disaster or an accident, his or her supervisor will immediately send the injured to the hospital for emergency treatment, and will, at the same time, immediately follow the injury notification procedure to report the injury case. The unit in charge of works' safety and health will start the investigation on the cause of the injury after having received the accident notification and then record the analysis of the accident. And all matters concerning this accident will be handled in accordance with labor-related laws and regulations.

When the investigation on the cause of the accident is completed, the supervisor of the injured employee will be notified and is asked to submit a proposal for improving work environment and measures of injury prevention, and the effectiveness and progress of the improvement measures will be tracked continuously.

Disabling injury index (DII) in 2022:

FR=3.64

SR=98

Note 1. Disabling injury frequency rate (FR)

= number of occupational injuries × 1,000,000 / total working hours.

Note 2. Disabling injury severity rate (SR)

= total lost days × 1,000,000 / total working hours.

In order to prevent occupational accidents, We continue to educate our employees about their working attitude, to make them understand the hazards of their own work environment and the measures to deal with emergencies, etc., and to train them to master their work skills. And we also implement industrial safety audits and inspect various safety and health equipment and facilities to ensure labor safety and avoid occupational accidents.



### (3) Environmental Measurement

In order to grasp the actual status of the working environment and evaluate the labor exposure status of harmful substances, to protect the workers from the hazards of harmful substances in the workplace, and to meet the legal standards of the exposure concentration, we measure the actual exposure status of the labor working environment and quantify them. Based on the measurements, we can effectively improve the working environment so that each employee can work in a healthy and safe environment. That also enhance the Company's competitiveness by providing workers with a healthy and comfortable working environment.

We continue to implement environment monitoring in the operating sites where the Company uses chemically hazardous substances and physical hazards in accordance with the relevant authorities' regulations. The monitoring frequencies of the operating sites are as follows:

Category	Frequency	Monitored Items
Physical Factors	twice a year	Noise
Chemical Factors	twice a year	Dust, Specialized CO2, Organic Solvents...etc.
	once a year	Lead...etc.

### (4) Health Examination Management

In order to fulfill employee health management, we grasp the health status of workers through medical examinations and regular health examinations. And we also assist our employees to maintain or improve their health through appropriate work assignment, improvement of working environment, medical care for workers' injuries and illnesses, timely first aid in case of emergencies, regular health education, hygiene guidance and health promotion activities..

- a. When hiring employees, medical examinations should be performed. Jobs should be properly assigned by confirming whether employees are suitable for the job. Employees should be protected from harm caused by other employees who are not suitable for the jobs. The correct basic information of employees' health should be established.
- b. Frequencies of regular health examinations for different working age groups in accordance with regulations:

- (a) Persons over the age of sixty-five years shall be examined once a year.
  - (b) Persons over the age of 40 but under the age of 65 shall be examined every three years.
  - (c) Persons under the age of 40 are inspected every five years.
- c. For employees engaged in jobs that are potentially more hazardous to health, special medical examinations should be carried out for a certain period of time according to the hazards of their jobs to protect their health, which help to find out the potential risk factors and can be used to improve their working environment. The records of special medical examinations should be kept for at least 30 years.
- d. Administration by different levels for employees engaged in jobs that are potentially more hazardous to health according to regulations:
- (a) For employees of the third and fourth level, their health information should be filed to the Occupational Safety and Health Administration.
  - (b) For employees of the second level, medical personnel in the Company should give them health education guidance.
  - (c) For employees of the third level, physicians who have relevant medical expertise should trace and conduct their health examinations.
  - (d) For employees of the fourth level, they should take special medical examinations and shall take hazard control and related management measures.

(5) Four major plans for labor health protection

Through measures such as hazard identification and assessment of working environment, personnel composition and work activities, analysis of ergonomic hazard factors, disease risk control categorization and other measures, we can prevent and reduce the occurrence of unlawful infringement in the workplace, diseases and musculoskeletal injuries caused by abnormal workload and protect the health of female workers and infants and fetuses. We have formulate four major plans to implement those measures and promote those goals.

a. Prevention of unlawful infringement in the performance of duties

The Company expressly declares that all kinds of physical, verbal, psychological, unlawful infringement and sexual harassment will not be

tolerated. And the necessary safety and health measures will be taken to prevent workers from being abused by their superiors, colleagues, service recipients or other third parties while performing their duties in the workplace. unlawful infringement will cause physical or mental harm to workers. We take the following measures to prevent any unlawful infringement:

- (a) Identify and assess any infringement.
- (b) Appropriately configure the workplace.
- (c) Properly adjust manpower according to job suitability.
- (d) Establish code of conduct.
- (e) Conduct training on infringement prevention and communication skills.
- (f) Create proper procedures of handling the cases of infringement.
- (g) Evaluate and improve their performance effectiveness.

b. Prevention of abnormal workload-triggered disorders

For the workers with a high risk of workplace fatigue and stress, who are engaging in shift work, night work and long hours, we take the following measures to prevent those workers from developing abnormal workload-triggered disorders. And their execution records should be made and kept for three years.

- (a) Identify and assess the high-risk workers.
- (b) Arrange for physician interviews and health guidance.
- (c) Take measures to adjust or shorten working hours and change work assignment.
- (d) Implement their health examinations, health management and health promotion.
- (e) Evaluate and improve their performance effectiveness.

Workers fill in their personal and work-related overload status in the "Worker Overload Index". And they fill in the risk factors for cardiovascular disease, including age, high blood pressure, total cholesterol, high-density cholesterol and smoking habit, etc., in the "Overload Risk Assessment Record" with the attachment of their reports of medical examination or health examination. Based on the content recorded in the "Overload Risk Assessment Record ", physicians and nursing staff will calculate the risk

index of cardiovascular disease for the worker with abnormal workload to estimate his or her risk of cardiovascular disease. The final scores of labor overload risk, which is derived from the integration of the risk of cerebrovascular disease, the risk of cardiovascular disease, his or her workload and the risk level of workload-triggered cerebrovascular disease and cardiovascular disease, is assessed and is recorded in the "Overload Risk Assessment Record". We will select high-risk workers and arranges physicians' interviews and health guidance with them. We will take the proper measures and the necessary treatment proposed by the physicians according to their interview results, and keeps records on the whole process.

c. Prevention of ergonomic hazard

In order to ensure the safety of the workers engaged in repetitive operations and to avoid them get musculoskeletal injuries owing to human errors or accidents, which will reduce work performance, result in poor production, easily cause fatigue, seriously affect the health, safety and well-being of employees, and so on, we develop plans to maintain the health and well-being of employees, to prevent ergonomic hazards and to avoid repetitive musculoskeletal injuries. We take the following hazard prevention measures, make and keep records of their execution for three years.

- (a) Analyze all work flow, their content and the actions involved.
- (b) Identify ergonomic hazards.
- (c) Evaluate and select improvement methods and their implementation.
- (d) Evaluate and improve the implementation effectiveness.
- (e) Other matters related to safety and health.

d. Maternal health protection in the workplace

In accordance with the "Occupational Safety and Health Act", "Regulations of the Maternity Health Protection at the Workplace" and other relevant regulations, the "Maternal Health Protection Plan" is stipulated to ensure the physical and mental health of female employees during childbearing age, pregnancy, postpartum, breastfeeding, etc. in order to protect maternal health.

- (a) Identify and assess hazards.

- (b) Distinguish risk levels according to assessment results.
- (c) Inform the assessment results.
- (d) Implement a variety of control measures by risk levels.
- (e) Conduct performance evaluation and review.

(6) Education and training on safety and health

We continue to educate and train our employees at all levels in the occupational safety and health management system to possess the necessary safety and health awareness and to cultivate the ability to assess potential hazards, and to effectively implement safety and health control measures to ensure a safe and healthy working environment.

a. Orientation programs for new employees:

- (a) Outline of regulations related to work safety and health.
- (b) The concept of occupational safety and health and the code of practice for safety and health.
- (c) Self-inspection before, during and after their operations.
- (d) Standard operating procedures.
- (e) Emergency response handling.
- (f) Knowledge and drills on fire and first aid.
- (g) Other safety and health knowledge related to labor operations.

Safety and health education and training for newly hired workers or current workers before changing into a new job assignment (3 hours); education and training on operational safety of machinery and equipment for new personnel engaged in the use of machinery or equipment on production lines (3 hours); education and training on the use of hazardous chemicals for new personnel engaged in producing, handling or using hazardous chemicals (3 hours).

- b. On-the-job education and training for current employees are aimed to implement relevant education and training according to training requirements and to provide on-the-job personnel with the necessary professional knowledge and skills and with safety and health awareness in

order for them to perform their duties.

- c. In line with the safety and health job category, we send relevant personnel to receive related safety and health education and training, and obtain the following certifications, such as “ Occupational Safety Management Specialist”, “ Occupational Health Nurse”, “ Specific Chemical Safety Supervisor”, “ Organic Solvent Safety Supervisor”, “Lead Safety Supervisor”, “ Oxygen Deficiency Safety Supervisor”, “ Work at Height Safety Supervisor”, “ Work in Dusty Environment Safety Supervisor”, “ Boiler Operator”, “Dwarf Boiler Operator”, “ Forklift Driver”, “Fixed Crane Operator”, “Fixed Crane Hoisting Operator”, “ Emergency Medical Technician”, “ Oxyacetylene Torch Operator”, etc. The workers doing the above-mentioned jobs shall undergo recurrent training in accordance with relevant regulations.

#### (7) Industrial Safety Audit

- a. Inter-plant safety inspection (the inspection projects are based on the annual safety inspection plan)

According to the inspection projects of the annual safety inspection plan, inter-plant safety inspections are carried out on a monthly basis, including falling protection, chemical use, electrical safety, cutting protection, protection from person caught by machine, elevator, protective gear management, firefighting equipment, chemical tank inlets , forklifts, noise protection, emergency shower equipment and hoisting equipment, etc., in order to discover the unsafe conditions, unsafe working environment, unsafe working behavior and potential operational dangers.

- b. All sites joint safety inspection

The departments in charge of safety and health will schedule all sites joint safety inspection four times each year, which held in January, April, July and October, to carry out all sites joint safety inspections. They will collaborate with the departments in charge of production equipment, utilities and equipment, environmental engineering and other personnel from all plants and all sites in order to avoid any occupational disaster.

- (a) Inspection of firefighting equipment: water systems, alarm systems, fire hydrants and fire extinguishers.
- (b) Safety and health inspection: with regard to chemicals and organic

solvents, their storage, use, storage tank, transportation pipeline, marking, protective equipment, and locking of chemical tank inlets.

- (c) Electricity safety inspection: the safety status of each distribution board, high and low voltage electrical equipment, and the safety status of wires and circuits.
- (d) Equipment safety inspection: equipment operation status, operation status of automatic control system in all equipment, equipment maintenance status, equipment safety devices.
- (e) Inspection of environmental protection facilities: the operation of waste water treatment equipment, the detection of waste water discharge, and the sorting of waste.

c. Inspection of the contractors' own protective equipment and machinery

We will confirm the contractors' own protective equipment and machinery to comply with laws and regulations and necessary safety and health requirements.

- (a) Personal protective equipment (helmets, goggles, gloves, safety harnesses, safety shoes, etc.).
- (b) The qualification certificates of inspection for hazardous machines and equipment, which are designated by the central competent authority.
  - Mobile crane certificate
  - Hazardous machines and equipment operator certificate
  - Hoisting operator certificate
  - Hoisting cage operator certificate(The above certificates should not be expired.)
- (c) Electric welding machines shall be provided with mechanism to prevent electric shock.
- (d) The materials and structures of mobile ladders and A Type Ladders (no more than 2m) should comply with laws and regulations.
- (e) The machinery, equipment and appliances which are used and designated must have Taiwan's TS mark.

d. Contractors safety audit (on their hazardous work and their general operations)

Contractors safety audit is to effectively supervise and manage various safety and health operations of contractors who enter the premises of the Company, to ensure the safety of contractors, the Company's personnel and property, and to prevent occupational accidents and industrial disasters.

- (a) Confirm whether the contractors have applied for work permits or construction permits for their hazardous work (approved by the relevant authorities in the work site), whether the contractors' operators have acquired certificates of competency (to ensure that the personnel entering the premises of the Company have received the necessary safety and health education and training) and whether the contractors' supervisors have acquired the relevant certificates ("Organic Solvent Safety Supervisor", "Specific Chemical Safety Supervisor", "Work at Height Safety Supervisor", "Oxygen Deficiency Safety Supervisor", "Scaffolds Assembly Supervisor").
- (b) Contractors' operations management: pre-work inspection, inspection during the operations and post-work inspection to confirm that its operations comply with safety and health regulations.

e. Audit on the safety of tank car loading and unloading

The department in charge of safety and health will carry out the audit of the tank car loading and unloading in each plant three times a week (12 times a month). The items of the audit, such as inlet-locking control during loading and unloading, personal protection measures, safety data records, training certificates, fire extinguishers, warning signs, transportation permits, pipeline connection safety (to prevent leakage), electricity safety and electrical leakage, are checked one by one to ensure the safety of tank car loading and unloading.

f. Audit on the effectiveness of infrared thermal imaging cameras

The department in charge utilities and equipment in each plant provides the list of infrared thermal imaging cameras installed in the electric cabinets for the department in charge of safety and health to conduct the audit on their effectiveness. The audit is carried out on a monthly basis. Its report on any abnormal infrared thermal imaging cameras should be submitted to the responsible departments for correction. After the corrections are completed, the corrections should be reviewed again by the department in charge of safety and health in order to ensure the



electric safety of equipment and prevent the occurrence of industrial accidents caused by equipment abnormalities.

g. Fire Extinguishers Inspection and Review

The safety and health team leader of each unit inspect the fire extinguishers in their workplaces monthly. After the items of inspection, such as their locations, the date of performance inspection, the effective range of pressure, the integrity of the positioning of the pins, whether there is oxidation damage to the hose, the appearance of the cylinder and so on, have been inspected, they should be reviewed by the department in charge of safety and health in order to ensure that the fire extinguishers maintain their functions at all times to provide effective first responses in case of emergency.

h. Consult the former inspectors of the Northern Region Inspection Office, Council of Labor Affairs, Executive Yuan (CV: the manufacturing supervisor, the supervisor in charge of hazardous machinery and equipment, the lecturer of the manufacturing risk assessment project in Formosa Plastics Enterprise Group, and the on-site diagnosis expert of the external audit) to conduct diagnosis and inspection of safety and health facilities in all plants in the third quarter of every year. The external experts who conduct safety and health inspections on site can provide a fresh perspective to identify potential risks and hazard factors, enhance the probability of predicting the occurrence of accidents and disasters, improve safety awareness and eliminate industrial safety accidents.

i. Self-inspection on fire prevention (on potential risks from fire, electrical, mechanical equipment, etc.)

The safety and health team leader of each unit will conduct self-inspection of the workplace according to the characteristics of their own area and operations in order to find defects in equipment (facilities), electrical devices, chemical substances, etc., and report them for improvement.

(8) Hazardous equipment management

In order to ensure that personnel can understand the potential hazards when operating hazardous machinery or equipment and then take necessary

preventive measures to avoid the occurrence of occupational accidents, the Company's put five boilers into the list of managed objects in accordance with the Occupational Safety and Health Act and take the relevant preventive measures as follows:

- a. Personnel engaged in machinery or equipment maintenance, regular maintenance and other operations shall notify the supervisor of the on-site unit.
- b. A work permit is required for boiler maintenance.
- c. Workers' personal protective equipment is available and used properly.
- d. Warning signs should be set up in the working area and marked with "Prohibiting from Entering".
- e. Safety measures such as power-off and cordon-off are required for the operation.
- f. Strictly abide by the relevant safety regulations and control unsafe behaviors.
- g. Portable wires used inside the boiler should be double insulation winding wire or any wire with equivalent insulation. Portable electric lights should be equipped with appropriate shields.
- h. If the boiler is connected by pipes, it should be isolated or blocked.
- i. Personnel perform pre-operation inspection, in-operation inspection, and post-operation inspection to confirm that all operation devices and safety devices, etc. are functioning normally.

The department in charge of safety and health in accordance with the relevant regulations on occupational safety and health, schedules self-inspection programs which list the inspection items suggested by each department and mandated by the relevant competent authorities. The programs are as follows: a daily boiler operation inspection table, a monthly boiler regular inspection record and a yearly dwarf boiler regular inspection table. The self-inspection is carried out by each responsible department. When any abnormality is found, the operation will be stopped immediately. And the department in charge of utilities and equipment will be notified to carry out equipment maintenance or take necessary improvement measures to prevent occupational accidents and ensure the safety and health of employees.

The Company follows the spirits and standards on human rights such as "Universal Declaration of Human Rights by the United Nations", "International Labour Organization", "the ten principles of United Nations Global Compact", "United Nations Guiding Principles on Business and Human Rights" , etc. to fulfill corporate social responsibilities in daily operations. In the daily activities, the basic human rights of employees and partners are protected, and any form or type of human rights violations are strictly prohibited, so as to create a safe and healthy working environment.

#### (1) No discrimination

We promote and protect the multicultural integration of the workplace. Our employees' recruiting, salary adjustment, promotion, development, training, leaving, etc. will not suffer from any discrimination in any category such as race, social class, language, ideology, religion, political party, place of origin, place of birth, gender, or sexual orientation , age, marriage, appearance, facial features, physical and mental disabilities, astrological sign, blood type, union membership. We have issued a "Declaration on Prohibition of any Category of Violence in the Workplace", and formulated and implement a "Program on Prevention of Unlawful Infringement in the Performance of Duties" in order to regularly conduct risk assessment on the hazard identification for prevention of unlawful infringement in the workplace to reduce workplace abusing.

#### (2) Gender equality

We promote gender equality in the workplace, and provide various measures to implement it, such as maternity leave, paternity leave, pregnancy checkup accompaniment, menstrual leave, family care leave, and unpaid parental leave for raising children.

We have issued a "Declaration on Prohibition of Sexual Harassment in the Workplace", formulated " Operational Procedures for Sexual Harassment Prevention, Complaint and Disciplinary Measures", established a "Sexual Harassment Complaint and Handling Committee", and been providing education and trainings on gender equality to provide a safe and comfortable workplace.

#### (3) Prohibition of child labor:

No child labor is employed. And it is clearly stipulated in the Company's "Personnel Management Rules". During the recruitment, the identification of whether it is child labor is required to carry out in the interview.

(4) Prohibition of forced labor:

We have committed to the corporate ethical management, established a corporate culture of people-oriented approaches, mutual respect and treating each other with honesty and trust, been prohibiting any form of forced labor, and repeatedly been instructing it in all levels of supervisors' education and trainings.

(5) Open and smooth communication channels:

In addition to regular labor-management meetings, we have set up suggestion boxes, dedicated telephone lines and e-mails, QR code feedback platforms, etc. to facilitate our employees to offer the Company their opinions. We also list all various communication channels during the new employees' orientation to promote positive interaction between labor and management in order to maintain workplace harmony.

#### 3.4.9.4 Supplier Management Policy

(1) Overview of our Supply Chain

The Company's suppliers are divided into five main categories: raw material suppliers, equipment suppliers, waste clearance and disposal service providers, contractors (such as security companies, corporate catering providers) and freight forwarders. Among them, raw material suppliers are the most important. For those suppliers that provide the main raw material for our production, we have established a sound administration system to ensure their quality and their CSR/ESG performance to achieve corporate social responsibility, to avoid financial risk, to not use conflict minerals and to be a going concern in order to achieve corporate sustainability. At the same time, we have established good partnership with our suppliers so as to grasp the risks related to our suppliers' CSR/ESG, to strengthen audit management, to coach and assist their improvement, and to collaboratively drive the overall supply chain towards a sustainable future.

(2) Supply Chain Management

a. Local procurement

The Company encourages local procurement of raw materials to reduce unnecessary air and sea transportation costs, and to reduce the carbon footprint generated during transportation. In addition to fulfilling the environmental protection responsibility of energy saving and carbon reduction, it also directly reduces procurement costs. Therefore, each manufacturing site has a dedicated procurement unit responsible for the selection and management of local suppliers. Whether in Taiwan or in China, the proportion of local procurement is high and all beyond 80%. The 2022 statistics are as follows:

Items	2021		2022	
	Taiwan	China	Taiwan	China
Proportion of local suppliers	80%	93%	80%	93%
Number of main suppliers	65	43	60	43
Number of new suppliers	2	5	0	1

b. Selection and approval of new suppliers and new materials

For the development of new raw materials, new suppliers or old suppliers' products that are different from those produced in the past, their evaluation will follow "Operational Procedures for Evaluation and Approval of Raw Materials Suppliers and their Products". A prospective supplier is required to at least acquire a certificate of ISO 9001 and is encouraged to obtain a certificate of ISO 14001 and of ISO 45001. In addition to requirements of having passed our on-site audit, got procurement capability, possessed enough production capacity and established control system to manage the hazardous substances, , etc., our prospective suppliers should meet the requirements of having established proper measures to protect the environment, human rights, labor safety and labor health and to implement corporate sustainable development. And then they must meet the further requirements of having installed a control system to enhance labor safety and health, not used child labor, not violated labor rights, fostered ethical management, and signed the relevant commitment letter, etc. before they can become one of our suppliers.

	Items	Completion Rate
Agreements and Commitments	Purchase Contract	100%
	Quality Agreement	100%
	Aerospace Quality Management System Declaration	100%
	RBA Compliance Commitments	100%
	Declaration of Minerals Conflict-Free	100%
Surveys	CMRT	100%

Due to the structure and types of products, the Company has a large number of suppliers. In order to implement effective supplier management, risk assessment is conducted every year based on the overall performance of suppliers. Suppliers whose risk level meets the standard must provide improvement measures and participate in improvement meeting. The completion rate of supplier risk assessment in 2022 is as follows:

Year	Region	Number of suppliers	Completion Rate
2022	Taiwan	35	100%
	China	105	100%

#### c. Audit on Suppliers' Sustainability

Based on the audited items of material risk and annual risk assessment stipulated in the Company's "Operational Procedures for Evaluation and Approval of Raw Materials Suppliers and their Products" and "Operational Procedures for Suppliers Management", we adopt the "Raw Material Suppliers Survey and Evaluation Table" to conduct the yearly assessments on raw material suppliers to reduce risk through preventive measures.

#### Suppliers Audit Pass Rate in 2022

Region	Number of Audited Suppliers	Pass Rate
Taiwan	60	100%
China	43	100%

The audit checklist includes quality system management, environmental & occupational health and safety management, hazardous substance management and RBA compliance.

The statistics of audit deficiencies is as follows:

2022	Taiwan		China	
	No. of Items	Ratio	No. of Items	Ratio
Quality System Management	16	100%	8	89%
Environmental & Occupational Health and Safety Management	0	0	0	0
Hazardous Substance Management	0	0	1	11%
RBA Compliance	0	0	0	0
Total	16	100%	9	100%

#### d. Contractors Management

In order to protect the employees of the contractors and the employees of the Company and to maintain the safety of our plants, the Company complies with laws and regulations on occupational safety and health and has established the operational procedures on contractor safety management, which regulate the responsibilities of the Company's responsible units and of the contractors, and deal with the relevant matters of environmental safety and health.

After guiding the contractors into the location, our supervisors will also control the workforce and equipment used, and supervise the implementation of protective measures before dangerous operations are carried out in the workplace.

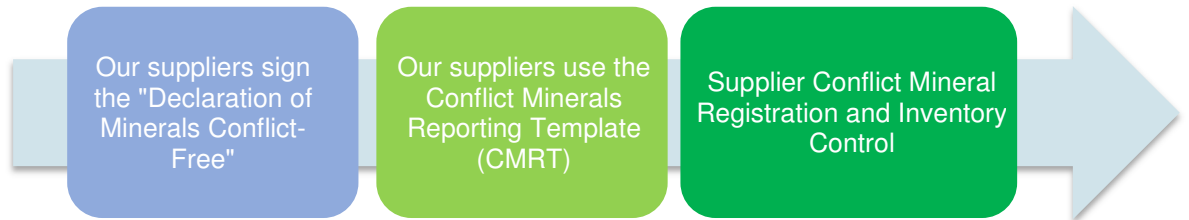
Our supervisors and the contractors will receive safety and health education training conducted by our safety and health department, with a 100% pass rate in 2022.

Training for	Number of Person	Pass Rate
our supervisors	135	100%
the contractors	108	100%

#### e. Conflict Minerals Management

The Company complies with the RBA code of conduct, collaborates with our customers, promises not to use metals from armed groups, illegal mining and poor working conditions, and requires our suppliers to fulfill social responsibilities and to trace the origins of gold (Au), tin (Sn), tantalum (Ta), tungsten (W), etc., which are contained in their products, to

ensure that these metals do not come from "conflict mines". When evaluating new materials, if they contain metal materials, our suppliers are required to disclose the source of minerals involving metals and sign the "Declaration of Minerals Conflict-Free" and to use the Conflict Minerals Reporting Template (CMRT) to regularly update their sources of minerals.





### 3.4.10 Promotion of Sustainable Development

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
1. Does the Company establish a governance framework to promote sustainable development, and set up a dedicated office to promote sustainable development, which is managed by senior management who is authorized by the board of directors and reports to the board of directors?	V		<p>Following the vision and mission of the Company's ESG policy, it has chief corporate governance officer and 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.</p> <p>In order to further improve the Company's organization for promoting sustainable development, the "Sustainable Development Committee" was established in 2022, which is the top authority on issues of sustainable development. The committee presided by the chairperson who collaborate with a number of senior officers in different functions review the Company's core operating capabilities and formulate medium-term and long-term plans for sustainable development.</p> <p>The "Sustainable Development Committee" serves as a cross-departmental communication platform integrating a variety of different departments vertically and horizontally. Through regular meetings and task groups responsible for different issues, the committee identifies the sustainable issues related to the Company's operations and its stakeholders, formulates corresponding strategies and work guidelines, compiles each organizations' budgets for sustainable development, plans and implements annual projects and tracks the implementation results to ensure that the sustainable development strategy is fully implemented in the Company's daily operations.</p>	No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>The chairperson of the "Sustainable Development Committee" is expected to report to the Board of Directors on the implementation results of sustainable development and future projects. The first meeting was held in April 2023. The agenda of the meeting includes (1) identifying material topics of sustainability that need our attention, and formulating action plans to deal with them; (2) setting up the goals and policy on issues related to sustainable development; (3) supervising implementation of issues on sustainable management and assessing their results; (4) annual report on stakeholders management; (5) report on the introduction and implementation of TCFD (Task Force on Climate-related Financial Disclosures); (6) annual report on environmental protection management; (7) annual report on promoting employee well-being and safety; (8) annual report on social philanthropy and charity; (9) annual report on risks management; (10) amendment of the "Sustainable Development Best Practice Principles".</p> <p>The board of directors has listened to the report of the sustainable development committee. In response to the material topics of sustainable development, the corresponding action plans, the goals and policies of sustainable development, the implementation of sustainable issues, etc., which are proposed by the sustainable development committee, the board of directors has reviewed the probability of success for these strategies. The progress of their implementation is also frequently reviewed in the follow-up, and the management team is urged to make adjustments when necessary.</p>	
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's	V		This following information covers the Company's sustainable development performance at its main sites from January 1, 2022 to December 31, 2022. The assessed boundaries of risks were mainly on the Company, including existing sites in Taiwan, China, and Thailand. Based on the relevance to the operations of	No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)						
	Yes	No	Explanation							
operations and formulate relevant risk management policies or strategies in accordance with the principle of materiality?			<p>the Company and the degree of their impact on material topics, Chin-Poon (Changshu) Electronics Co., Ltd. and Draco PCB Public Co. Ltd which are our subsidiaries are included in the boundaries.</p> <p>The Sustainability Committee conducts analysis based on the materiality principle of the Corporate Sustainability Report, communicates with internal and external stakeholders, and reviews domestic and foreign research reports and documents, and integrates the assessment of various departments and subsidiaries to select the material topics related to ESG issues, to formulate risk management policies involving effective risks identification, risks measurement, risks monitoring and risks control, and to take specific action plans to reduce the impact of related risks.</p> <p>Based on the assessed risks, relevant risk management policies or strategies are formulated as follows:</p> <table border="1"> <thead> <tr> <th>Material Topics</th> <th>Risk Assessment Items</th> <th>Remark</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental Impact and Management</td> <td> <ul style="list-style-type: none"> <li>The Company complies with the requirements of ISO 14001, establishes an environmental management system, and fully considers such significant environmental issues as pollution (e.g. air pollution, water pollution, waste) and water and electricity consumption, etc. and takes into account hazardous substances that may be introduced in the manufacturing process. Therefore, we set up dedicated management units and personnel to prevent environmental pollution, such as air pollution, water pollution, and waste, and to manage energy and resources.</li> </ul> </td> </tr> </tbody> </table>	Material Topics	Risk Assessment Items	Remark	Environment	Environmental Impact and Management	<ul style="list-style-type: none"> <li>The Company complies with the requirements of ISO 14001, establishes an environmental management system, and fully considers such significant environmental issues as pollution (e.g. air pollution, water pollution, waste) and water and electricity consumption, etc. and takes into account hazardous substances that may be introduced in the manufacturing process. Therefore, we set up dedicated management units and personnel to prevent environmental pollution, such as air pollution, water pollution, and waste, and to manage energy and resources.</li> </ul>	
Material Topics	Risk Assessment Items	Remark								
Environment	Environmental Impact and Management	<ul style="list-style-type: none"> <li>The Company complies with the requirements of ISO 14001, establishes an environmental management system, and fully considers such significant environmental issues as pollution (e.g. air pollution, water pollution, waste) and water and electricity consumption, etc. and takes into account hazardous substances that may be introduced in the manufacturing process. Therefore, we set up dedicated management units and personnel to prevent environmental pollution, such as air pollution, water pollution, and waste, and to manage energy and resources.</li> </ul>								

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
				<ul style="list-style-type: none"> <li>The Company regularly checks greenhouse gas emissions in accordance with ISO 14064-1 to review the impact on our operations. Based on the results of the greenhouse gas inventory, we will continue to implement carbon reduction measures to effectively reduce the risk of Scope 1 emissions and the indirect emissions of Scope 2 greenhouse gases caused by the use of electricity. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023. The annual internal audit plan is planned, aiming at the compliance with various relevant environmental laws and regulations, and auditing that each operating process is in accordance with the regulations.</li> </ul>
			Social Occupational Safety	<ul style="list-style-type: none"> <li>Employees are the most precious assets of an enterprise. And ensuring the safety and health of employees is the most important responsibility of an enterprise. In order to make our commitment to labor safety and health, the Company has established an occupational safety and health management system to comply with occupational safety and health regulations and other requirements, to be in accordance with ISO45001 and to meet customers' requirements. The goal of the system is to reduce any and all hazards and risks to our employees. We actively implement environmental and occupational safety and health policies and make sure that all employees can fully understand those policies through proper communication. We have been upholding the occupational safety and health policy of</li> </ul>

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>"compliance with laws and regulations, prevention first, safety first, and continuous improvement."</p> <ul style="list-style-type: none"> <li>● We commit to the following goals:               <ol style="list-style-type: none"> <li>1. To provide safe working conditions and environment to protect the safety and health of employees.</li> <li>2. To comply with laws, regulations and other relevant requirements and fulfill corporate social responsibilities.</li> <li>3. To eliminate hazards and reduce occupational safety and health risks, and improve the working safety of all employees.</li> <li>4. To continuously improve the occupational safety and health management system and improve the performance of safety and health management.</li> <li>5. To enhance the communication channels, implement the consultation of workers and labor representatives, and participate in safety and health related activities.</li> </ol> </li> </ul>	
			<p>Product Safety</p> <ul style="list-style-type: none"> <li>● The Company's products comply with relevant governments' regulations and laws and with EU's Restriction of the use of Hazardous Substance (RoHS). At the same time, in order to ensure the quality of customer service, we set up a customer service dedicated communication channel and actively conduct customer service satisfaction surveys on a regular basis every year to strengthen the collaboration with customers.</li> <li>● In order to avoid losses caused by a variety of risks, the Company has also taken various insurance policies, such as product liability insurance (the policy number is 0500-</li> </ul>	

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>22APD0300066 and the insured coverage is USD 10 million.), etc., to ensure that we have sufficient capacities and resources to carry out the following recovery when risks occur, and indeed keep our commitments to customers.</p> <p>Corporate Governance      Socio-economic Issues and Legal Compliance</p> <ul style="list-style-type: none"> <li>● By establishing an organizing framework of corporate governance and implementing an internal control system, we ensure that all employees and operations of the Company comply with relevant laws and regulations.</li> <li>● The Company will apply for patents for the products developed by it to protect its rights and interests.</li> </ul> <p>Enhancement of the Functions of Directors</p> <ul style="list-style-type: none"> <li>● We plan education and trainings on relevant topics for directors, and provide directors with the updated information on the latest regulations, system development and policies every year.</li> <li>● We have taken directors' liability insurance for directors to protect them against lawsuits or claims.</li> </ul> <p>Communication with Stakeholders</p> <ul style="list-style-type: none"> <li>● In order to prevent stakeholders from having different perspectives with the Company, which may cause misunderstandings and lead to operational risks or litigation, the Company analyzes on a yearly basis the material topics which our stakeholders care about most.</li> <li>● The Company has established a variety of communication channels and been communicating actively to reduce confrontation and misunderstanding. We have set up the dedicated mailboxes and e-mail address for investors, in which the spokesperson is responsible for responding the received messages and opinions.</li> </ul>	

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
<p>3. Environmentally Sustainable Development</p> <p>(1) Has the Company established a suitable environmental management system based on its industrial characteristics?</p> <p>(2) Is the Company committed to improving energy efficiency and using renewable materials with low environmental impact?</p> <p>(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?</p> <p>(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?</p>	V		<p>(1) For details, please refer to section (1) in the "3.4.9.1 Environmental Protection".</p> <p>(2) For details, please refer to section (2) and (5) in the "3.4.9.1 Environmental Protection".</p> <p>(3) For details, please refer to section (8) and (9) in the "3.4.9.1 Environmental Protection".</p> <p>(4) For details, please refer to section (3), (4), (6), (7) and (8) in the "3.4.9.1 Environmental Protection".</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p> <p>(4) No difference.</p>
<p>4. Promotion of Social Welfare</p> <p>(1) Does the Company set policies</p>	V		<p>(1) For details, please refer to "3.4.9.3 Compliance with The International Bill of</p>	<p>(1) No difference.</p>

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
and procedures in compliance with relevant laws and regulations and International Bill of Human Rights?			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?			(2) For details, please refer to "5.5 Labor Relations".	(2) No difference.
(3) Does the Company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?			(3) For details, please refer to "3.4.9.2 Safety and Health Management" and "5.5 Labor Relations".	(3) No difference.
(4) Does the Company establish an effective career development training program for employees?			(4) For details, please refer to "5.5 Labor Relations".	(4) No difference.
(5) Does the Company comply with relevant regulations and international standards on such issues as customer health and safety, customer privacy, marketing and labeling of its products and services, etc. and has it formulated relevant			(5) The customers of the Company are electronic manufacturers, not consumers. The Company and its customers are partners in collaborative design and manufacturing, and both parties can fully communicate on all topics of their rights, products and services. The Company has been complying with relevant regulations and international standards for the marketing and labeling of products and services.	(5) No difference.



Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
<p>policies and complaint procedures to protect the rights of consumers and customers?</p> <p>(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?</p>			(6) For details, please refer to "3.4.9.4 Supplier Management Policy".	(6) No difference.
<p>5. Does the Company refer to international standards or guidelines for the preparation of a corporate sustainability report and other reports that disclose non-financial information about the Company? Did you obtain a third-party certification agency's assurance on the above-mentioned reports?</p>	V		<p>We are integrating the process of preparing the corporate sustainability report. And the report will be issued this year.</p> <p>The third-party's assurance of the report will begin as soon as it has issued. Initially, the third-party's assurance will be conducted for key material topics, such as greenhouse gas inventory Verification, and then gradually expanded to include the whole report. In April 2023, the greenhouse gas inventory inspection has been completed and verified by a third-party, and its verification certificate is expected to be obtained in June 2023.</p>	To be issued this year.
<p>6. If the Company has established its code of practice for promotion of sustainable development according to "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation.</p> <p>The Company has established its own code of practice for promotion of sustainable development according to "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and has implemented various responsibilities for promotion of sustainable development in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". For details, please refer to "3.4.9.1 Environmental Protection", "3.4.9.2 Safety and Health Management", "3.4.9.3 Compliance with The International Bill of Human Rights", "3.4.9.4</p>				

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
Supplier Management Policy", "5.5 Labor Relations" and other sections.				
7. Other important information to facilitate better understanding of the Company's promotion of sustainable development:				
The Company has explained them in detail in the "3.4.9.1 Environmental Protection", "3.4.9.2 Safety and Health Management", "3.4.9.3 Compliance with The International Bill of Human Rights", "3.4.9.4 Supplier Management Policy", "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	
<p>1. Establishment of Ethical Corporate Management Policy and its Implementation Measures</p> <p>(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?</p> <p>(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</p>	V		<p>(1) The Company has formulated the ethical corporate management policy and established "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". The policies and practices of ethical corporate management has been stated in the regulations and annual reports. And the board and senior management have demonstrated their commitment to actively implement the ethical corporate management policy as well.</p> <p>(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</p>	<p>(1) No difference.</p> <p>(2) No difference.</p>

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
<p>established prevention programs to prevent them, which at least covers the preventive measures stipulated in the second paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(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?</p>			<p>illegitimate interests in the execution of business, which include commissions, rebates, facilitating payment or other improper benefits through other means provided to or received from customers, agents, contractors, suppliers, public officials or other interested parties." And we have been implementing the concepts of employees' integrity and self-discipline in various operational procedures and training programs.</p> <p>(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.</p>	(3) No difference.
<p>2. Implementation of Ethical Corporate Management</p> <p>(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?</p> <p>(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)?</p>	V		<p>(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.</p> <p>(2) Chief corporate governance officer and 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 to the board of directors on its plans to</p>	<p>(1) No difference.</p> <p>(2) No difference.</p>

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?			prevent unethical conduct and oversee its implementation. (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			(5) The Company has added the education and training program on ethical corporate	(5) No difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
a regular basis?			management in regular education and training for all levels of managers.	
<p>3. Implementation of Whistleblower System</p> <p>(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?</p> <p>(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?</p> <p>(3) Does the Company adopt proper measures to prevent whistleblowers from retaliation for their reports?</p>	V		<p>(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.</p> <p>(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 have been handled in a prudent manner by the senior executives to ensure the rights and interests of the whistleblowers.</p> <p>(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.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p>
4. Enhanced Information Disclosure	V			

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
Does the Company disclose its code of practice for ethical corporate management as well as information about implementation of such code of practice on its website and on the “Market Observation Post System”, which is Taiwan official disclosure website for all listed companies?			The Company has disclosed internal regulations and operational procedures on the Company’s website. The Company has set up a stakeholders’ area on the Company’s website and on the “Market Observation Post System”, which is Taiwan official disclosure website for all listed companies. And we have been responding appropriately to stakeholders’ concern and important issues of ethical corporate management.	No difference.
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.				
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 , 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.				

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

Please refer to our website: [www.chinpoon.com](http://www.chinpoon.com)

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

Please refer to our website: [www.chinpoon.com](http://www.chinpoon.com)

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:

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

March 31, 2023

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
CEO in China	Mr Charlie Tseng	June 16,1986	Sep. 23,2022	Retirement.

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

March 31, 2023

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

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

### 3.5 Information on the Company's Audit Fees

#### 3.5.1 Information on Audit Fee

Unit: NT\$ thousand

Accounting Firm	Name of CPA	CPAs' Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
KPMG Taiwan	Lily Lu	Jan. 1, 2022~ Dec. 31, 2022	4,150	900	5,050	
	Victor Wang	Jan. 1, 2022~ Dec. 31, 2022				

The amounts for non-audit fees were fees for tax attestation and for information review on full-time employees who were not supervisors, totaling NT\$ 900,000.

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

Date of Change	January 9, 2023		
Reasons and Explanation of Changes	Personnel Rotation in KPMG		
State if the appointment is terminated or rejected by the consignor or CPAs.	Party	CPA	Consignor
	Status		
	The engagement terminated by which party	V	
	The engagement rejected by which party		
The opinions other than unqualified opinion issued in the last two years and the reasons for the said opinions.	None		
State if there was any different opinion between CPAs and the issuer.	Yes		Accounting Principle or Practice
			Disclosure of Financial Statements
			Auditing Scope or Procedures
			Others
	No	V	
	Explanation		
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”)	None		

### 3.6.2 Successor CPAs

Accounting Firm	KPMG
CPA	CPA Charlotte Chao and CPA Victor Wang
Date of Engagement	January 9, 2023
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.

### 3.7.1 Procedures for Evaluating the Independence of our CPAs

The Audit Committee evaluates the independence of the Company's CPAs on a yearly basis. In addition to requiring the CPAs to provide an "Independence Statement", the Audit Committee conducts the independent evaluation of our CPAs according to the criteria in the table below. It has been confirmed that our CPAs and the Company have no other financial interests and business relations except for the audit fee and tax consulting. The evaluation report for the latest year has been discussed and approved by the Audit Committee on January 9, 2023, and submitted to the board of directors on January 10, 2023, which has resolved to approve the independent evaluation of our CPAs.

#### Criteria for Evaluating the Independence of our CPAs

Evaluation Item		Evaluation Result	Whether it meets the criterion of independence
1	Does the CPA have a direct or significant indirect financial interest in the Company?	No	Yes
2	Has the CPA involved any matter of financing or guarantee with the Company or its directors?	No	Yes
3	Does the CPA have close business relationship and potential employment with the Company?	No	Yes
4	Have the CPA and the members of the audit team been the Company's directors or managers or got a significant influence on the audit work in the Company currently or in the last two years?	No	Yes
5	Has the CPA provided the Company with non-audit services that may directly affect the audit work?	No	Yes
6	Has the CPA brokered the shares or other securities issued by the Company?	No	Yes
7	Has the CPA acted as the Company's defender or represented the Company in coordinating disputes with other third parties?	No	Yes
8	Does the accountant have any kinship with the Company's directors, managers or persons who have a significant impact on the audit work?	No	Yes

### 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	2022		Jan. 1, 2022 ~ Apr. 29, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson	Tseng-Liu, Yu-Chih				
Director	Tung, Hsiao-Hung				
Director	Lin, Pi-Chi	(234,000)		(174,000)	
Director	Huang, Wei-Jin				
Director	Lai, Hwei-Shan				
Director	Tseng, Wen-Yu				
Independent Director	Chen, Hsiang-Sheng				
Independent Director	Chen, Shi-Shu				
Independent Director	Hsu, Sung-Tsai				
CEO	Alan Hwang				
CEO in China	Charlie Tseng				
VP	Catherine Hsing				
VP	Rachel Lin				
VP	Jack Lin				
AVP	Phil Su				
Internal Auditing Officer	Candy Sung				
Chief Corporate Governance Officer	Yu-Chiao Huang				

Note: Mr. Charlie Tseng, CEO in China, has retired in October 2022.

3.8.2 Stock Trade with Related Parties: None.

3.8.3 Stock Pledge with Related Parties: None.

### 3.9 Related Parties among our Top 10 Shareholders

April 29, 2023

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.	25,959,000	6.53							
Huang, Wei-Jin	11,238,409	2.83	2,642	0.00					
Tseng-Liu, Yu-Chih	9,603,279	2.42	1,372,422	0.35					
Lin, Pi-Chi	6,919,649	1.74	2,591,839	0.65					
Tung, Hsiao-Hung	6,308,043	1.59							
Lai, Hwei-Shan	6,283,114	1.58							
Tseng, Wen-Yu	5,546,357	1.40	183,630	0.05					
Farglory Life Insurance Inc.	5,216,000	1.31							
JPMorgan Chase Bank in custody for Vanguard Emerging Markets Stock Index Fund	4,806,890	1.21							
Dawei Investment Co., Ltd.	4,684,540	1.18							

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, 2023  
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	670,618,477	99.78%			670,618,477	99.78%

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.

Note2: At the shareholder meeting of Draco on April 28, 2023, it was resolved that DRACO PCB PUBLIC CO., LTD. be renamed CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD..



## 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					
		Shares	Amount	Shares	Amount	Source of Share Capital				Payment for Shares by Assets Other than Cash	Other (Note 3)
						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	-	0	0
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. 090006223631, 96.10.24 Taiwan Securities Upward Letter No. 09600315051, 97.9.23 Taiwan Securities Upward Letter No. 09700286131, 98.1.7 Taiwan Securities Upward Letter No. 09800000241, 98.7.2 FSC Securities Letter No. 0980032975 and 98.11.25 Taiwan Securities Upward Letter No. 09800300791.

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

April 29, 2023

Unit: share

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

#### 4.1.2 Composition of Shareholders

April 29, 2023

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	4	90	38,955	168	39,218
Shareholding	1,578,000	31,445,000	23,721,432	263,751,883	76,999,105	397,495,420
Holding Percentage (%)	0.40%	7.91%	5.97%	66.35%	19.37%	100.00%

#### 4.1.3 Distribution Profile of Ownership

Par Value NT\$ 10

April 29, 2023

Ownership of a Single Shareholder (Unit: Share)	Number of Shareholders	Subtotal Ownership	Subtotal Ownership (%)
1 ~ 999	10,917	1,358,331	0.34%
1,000 ~ 5,000	21,669	45,748,803	11.51%
5,001 ~ 10,000	3,398	27,161,109	6.83%
10,001 ~ 15,000	1,009	12,774,909	3.21%
15,001 ~ 20,000	680	12,746,522	3.21%
20,001 ~ 30,000	521	13,260,427	3.34%
30,001 ~ 40,000	272	9,818,864	2.47%
40,001 ~ 50,000	161	7,545,351	1.90%
50,001 ~ 100,000	289	20,575,991	5.18%
100,001 ~ 200,000	135	19,288,338	4.85%
200,001 ~ 400,000	66	17,975,979	4.52%
400,001 ~ 600,000	22	10,808,169	2.72%
600,001 ~ 800,000	13	9,202,725	2.32%
800,001 ~ 1,000,000	15	13,752,921	3.46%
1,000,001 and more	51	175,476,981	44.15%
Total	39,218	397,495,420	100.00%

#### 4.1.4 Major Shareholders

April 29, 2023

Unit: share

Shareholders	Shares	Total Shares Owned	Shareholding (%)
Fubon Life Insurance Co., Ltd. (its representative: Richard M. Tsai)		25,959,000	6.53%
Huang, Wei-Jin		11,238,409	2.83%
Tseng-Liu, Yu-Chih		9,603,279	2.42%
Lin, Pi-Chi		6,919,649	1.74%
Tung, Hsiao-Hung		6,308,043	1.59%
Lai, Hwei-Shan		6,283,114	1.58%
Tseng, Wen-Yu		5,546,357	1.40%
Farglory Life Insurance Inc.		5,216,000	1.31%
JPMorgan Chase Bank in custody for Vanguard Emerging Markets Stock Index Fund		4,806,890	1.21%
Dawei Investment Co., Ltd. (its representative: Hsieh, Hsiu-Chu)		4,684,540	1.18%

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

Item		Year	2021	2022	Jan. 1, 2023 ~ Mar. 31, 2023 (Note 8)
Market Price Per Share (Note 1)	Highest Market Price		40.45	44.40	32.9
	Lowest Market Price		23.85	25.70	28.4
	Average Market Price		32.32	31.04	30.39
Net Worth Per Share (Note 2)	Before Distribution		38.42	39.88	40.07
	After Distribution		37.92	(Note 2)	(Note 2)
Earnings Per Share	Weighted Average Shares (thousand shares)		397,495	397,495	397,495
	Earnings Per Share (Note 3)		0.85	1.25	0.11
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)		38.02	24.83	69.07
	Price/Dividend Ratio (Note 6)		64.64	(Note 2)	(Note 2)
	Cash Dividend Yield (Note 7)		1.55	(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 board of directors or 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 2022 Profits and Retained earnings

##### Cash Dividend:

It is proposed to allocate NT\$ 337,871,107 from the 2022 profits and the retained earnings and to distribute a cash dividend of NT\$ 0.85 per share to the shareholders. The total amount of cash dividend is NT\$ 337,871,107.

#### 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\$ 15,363,043 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 2022 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 2022 parent company only financial statements of the Company:

There was no employees' stock bonus from the 2022 profit.

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

It is NT\$ 1.25.

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	9,304,153	9,304,153	0	-
2. Directors' Remuneration	3,240,000	3,240,000	0	-
B. Earnings Per Share on 2021				
Earnings Per Share in the income statement	0.85	0.85	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\$ 9,304,153 and NT\$ 3,240,000. 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 2020 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 24, 2022	Resolution for Distribution of 2021 Profits (a cash dividend of NT\$ 0.5 per share)	The Company has set the ex-dividend date at August 1, 2022 and has paid the cash dividends on August 22, 2022.
	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 2022.

##### 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. In 2022, the production value of Taiwan's PCB makers

was NT\$ 903.3 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\$ 903.3 billion in 2022, an increase of 10.5% 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

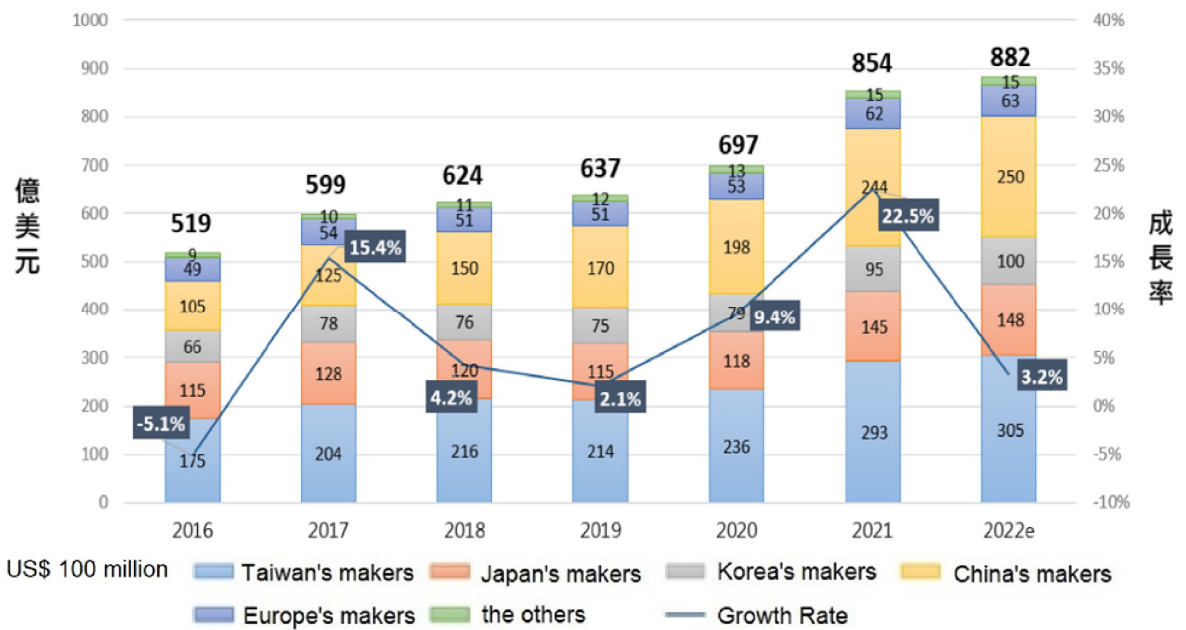
**Est. World Domestic PCB Output in 2022 Exchange Rates**

unit: \$million

<b>Region</b>	<b>2021</b>	<b>2022</b>	<b>2022/2021</b>
Americas	3,400	3,520	3.53%
Germany	745	790	6.04%
Rest of Europe+Russia	1280	1370	7.03%
Middle East & Africa	145	155	6.90%
<b>West Total</b>	<b>5,570</b>	<b>5,835</b>	<b>4.75%</b>
China	54,205	56,720	4.64%
Taiwan	10,900	11,930	9.45%
S. Korea	7,220	8570	18.00%
Japan	5,945	6560	10.34%
Thailand	3,175	3,350	5.50%
Vietnam	3,110	3,200	2.90%
Other Asia (India inclusive)	1,250	1,340	7.20%
<b>Asia Total</b>	<b>85,805</b>	<b>91,670</b>	<b>6.83%</b>
<b>World Total</b>	<b>91,375</b>	<b>97,505</b>	<b>6.71%</b>

Source: N.T. Information (Mar. 2023)

Figure 2 Global PCB Production Value by Makers' Nationality



Source: TPCA and IEK (Jan. 2023)

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 by N.T. Information to have reached 70% of the global production value in 2022. 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\$ 88.2 billion in 2022, up 3.2% from 2021.

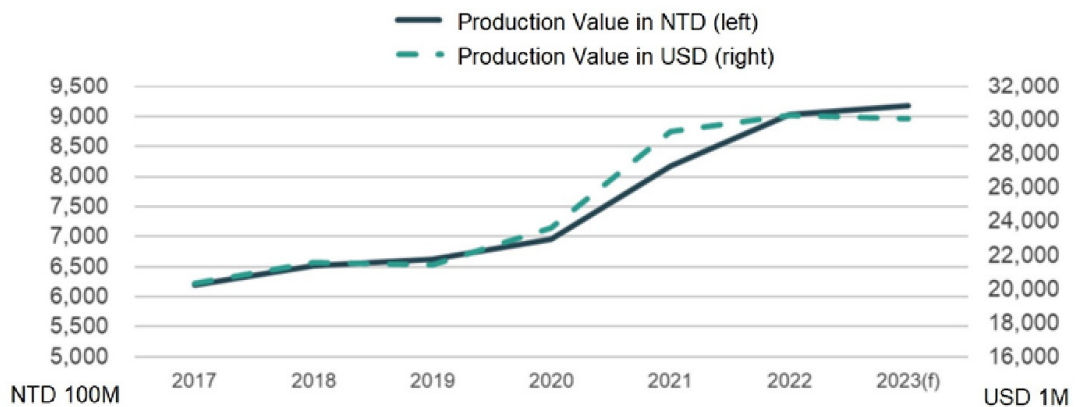
Looking forward to this year, the global economy still has a variety of uncertainties. However, with the continual expansion of the global electronics industries, TPCA and IEK estimated that the global PCB production value in 2023 does not rule out the possibility of a slight decline or a slight increase and that the estimated output value is between US\$ 84.7 billion and US\$ 90.8 billion. IEK estimates that the Taiwan's PCB production value in 2023 is expected to reach NT\$ 917.8 billion with a growth rate of 1.6%. 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

	2017	2018	2019	2020	2021	2022	2023(f)
NTD 100M	6,192	6,514	6,624	6,963	8,178	9,033	9,178
Y/Y (NT)	9.5%	5.2%	1.7%	5.1%	17.5%	10.5%	1.6%
USD 1M	20,348	21,601	21,426	23,609	29,308	30,286	30,092
Y/Y (US)	16.3%	6.2%	-0.8%	10.2%	24.1%	3.3%	-0.6%
USD / NTD	30.43	30.16	30.92	29.49	27.90	29.83	30.50

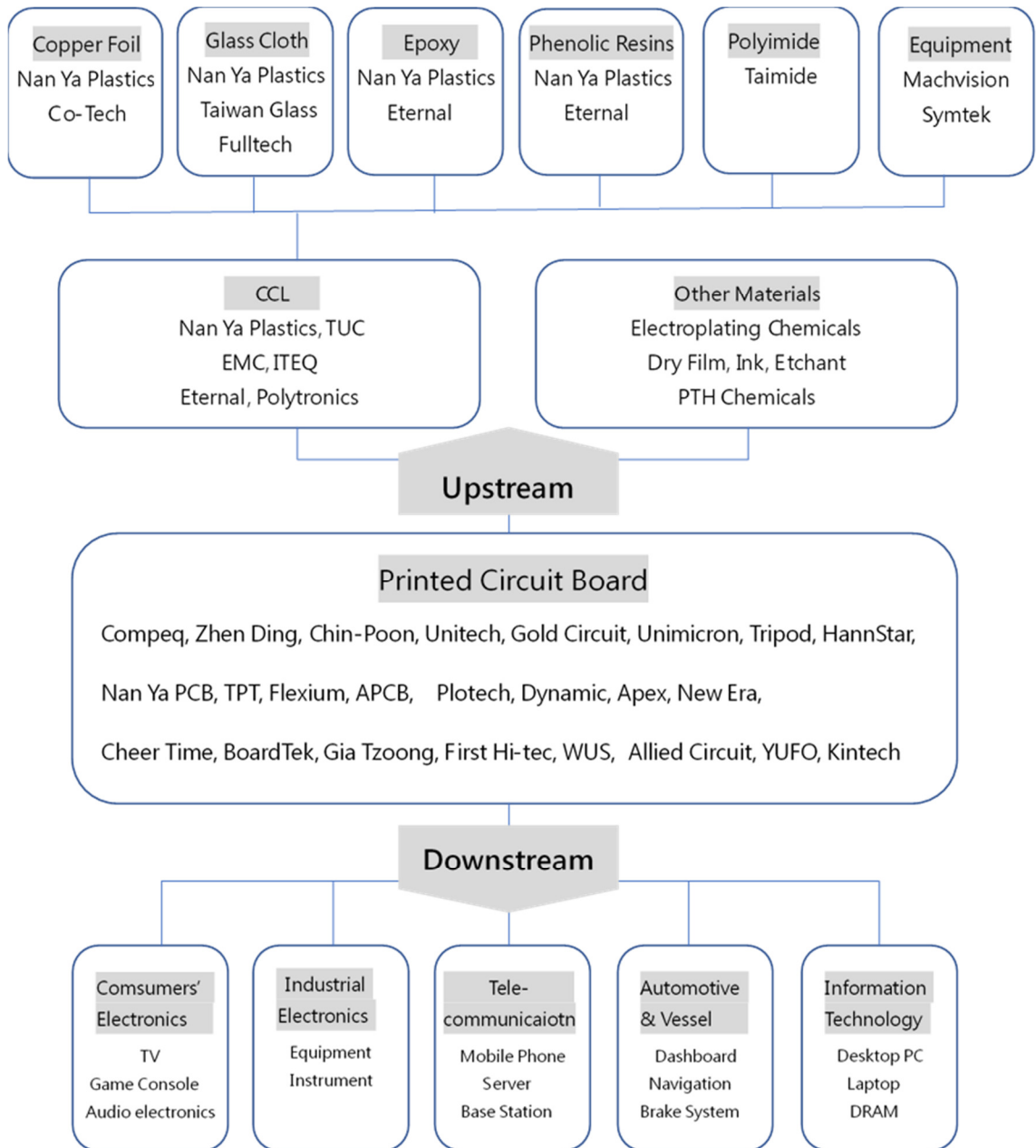


Source: TPCA & IEK (Feb. 2023)

### 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

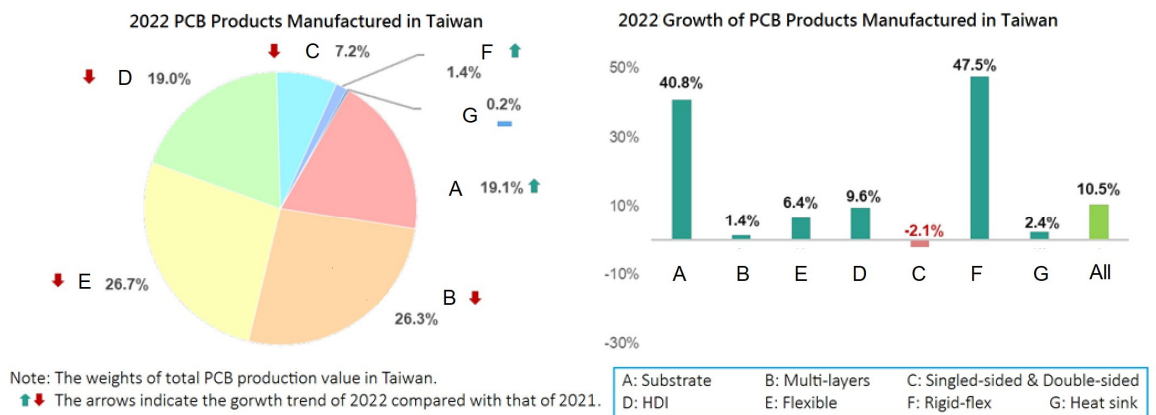


### 5.1.2.3 Products Development Trends and Competition

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 distribution of output value is 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.

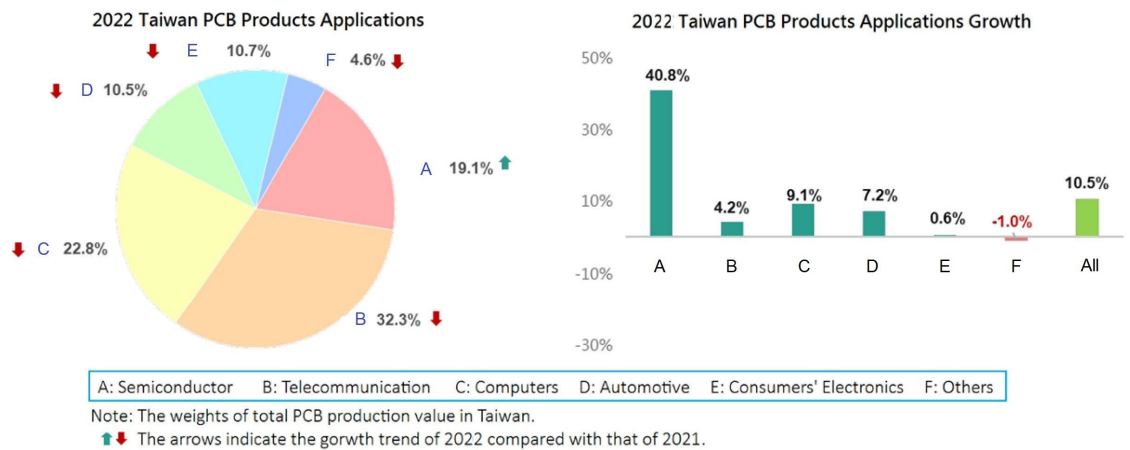
Figure 1 The Weights of Various PCB Products Manufactured by Taiwan PCB Makers in Taiwan and in China



Source: TPCA & IEK (Feb. 2023)

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 2022 statistics of TPCA and IEK telecommunication ranked first in the application of PCBs, accounting for 32.3%; computers ranked second, accounting for 22.8%; semiconductor ranked third, accounting for 19.1%; consumers electronics ranked fourth, accounting for 10.7%; automobile electronics ranked fifth, accounting for 10.5%. The top five applications, which accounted for a high proportion of 95.4% in 2022, show that the Taiwan PCB industry mainly supplies large-volume products in the market. Their weights are shown in Figure 2.

Figure 2 Taiwan PCB Makers' Products Applications



Source: TPCA & IEK (Feb. 2023)

### 5.1.3 Technology and R&D Overview

5.1.3.1 The research and development expenses invested by the Company in 2022 and 2023 up to the date of publication of the annual report are NT\$ 322,180 thousand and NT\$ 77,487 thousand respectively.

#### 5.1.3.2 Results of R&D in 2022

- A. Development of modified copper inlay process for cost reduction
- B. Middle/High current carrying PCB - Mini-busbar
- C. Middle/High current carrying PCB – Heavy copper
- D. Partial thermal management PCB – Inlay + blind vias
- E. Partial thermal management PCB – Square inlay
- F. Partial thermal management PCB – Convex
- G. Development of rigid flex
- H. Development of cavity PCB
- I. Development of radio frequency PCB
- J. Development of advanced HDI
- K. Assisting overseas factories to upgrade the capabilities of multilayers and HDI
- L. Others

### 5.1.3.3 Future R&D plan and R&D Budget

- Future R&D plan:
  - Technology development for all aspects of smart factories, including smart monitoring, smart automation, smart cooperation and AI applications
  - Development of middle/high current carrying PCBs
  - Development of partial heat dissipation PCBs
  - Development of embedded Cu-inlay for Matrix/Multi-Pixel LED Headlights System
  - Development of semi-flex plus PCB for vehicle
  - Development of rigid flex for ADAS
  - Development of radio frequency PCBs
  - Development of cavity PCB
  - Development of advanced HDI
  - Development of thick Cu Coil PCB for vehicle planar transformer
  - 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\$ 276,708 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
2021	306,422	1.68%
2022	322,180	1.83%
As of March 31, 2023	77,487	1.95%

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

#### 5.1.4.1 Short-term Business Development Plan

- (1) Focus on the global market and work with customers to develop high value-added products with market potential..
- (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 China and in Thailand in the next 2-3 years. Our plant in Changshu, China has still plenty of room for capacity expansion in the future. We have increased our ownership to 99.78% on our subsidiary in Thailand in 2021. 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	2020		2021		2022	
Region	Amount	%	Amount	%	Amount	%
America	3,251,390	21.23%	3,971,305	21.80%	4,192,024	23.80%
Europe	4,949,916	32.32%	5,867,269	32.20%	5,858,145	33.26%
Asia	5,676,933	37.07%	6,866,123	37.69%	6,132,629	34.81%
Others	1,435,046	9.38%	1,514,583	8.31%	1,431,530	8.13%
Total	15,313,285	100.00%	18,219,280	100.00%	17,614,328	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 2022 was about 1.95%. (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 IEK estimated that the global PCB production value in 2023 does not rule out the possibility of a slight decline or a slight increase and that the estimated output value is between US\$ 84.7 billion and US\$ 90.8 billion. IEK estimates that the Taiwan's PCB production value in 2023 is expected to reach NT\$ 917.8 billion with a growth rate of 1.6%.

#### 5.2.1.4 The Estimated Sales Volume of the Company

Unit: M<sup>2</sup>

Business Objectives	2023
Product	Estimated Sales Volume (M <sup>2</sup> )
Single-sided	1,047,089
Double-sided and Multilayer	3,516,744
Total	4,563,833

#### 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. We also have a competitive advantage on product quality, yield and delivery, etc. Especially in recent years, we have vigorously introduced smart factories, automation equipment, digital integration and collaboration between upstream and downstream supply chains, etc., which have further enhanced the competitiveness of the Company.

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

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

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

The global manufacturing industries headed by Europe and the United States are seeking production capacity outside China, making Southeast Asia a popular production base. The Company has set up manufacturing site in Thailand for more than 20 years and has a first mover advantage. In 2021, our ownership of Draco, our subsidiary in Thailand, has increased to 99.78%. And the expansion plan of its 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.

Note: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

- (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 2022	2022	Achievement Rate
Operating Income Ratio	Operating Income to Operating Revenue	2.11%	1.55%	73.21%
EBITDA (NT\$ thousand)	Earnings before Interest, Tax, Depreciation and Amortization	1,712,366	1,902,519	111.10%

Our budget achievement of operating revenue and operating costs were 80% and 80% of the 2022 budget targets respectively. In 2022, we expected that the automotive supply chain would become smooth, so we had an optimistic forecast for the growth of our revenue. However, the development of various situations after the Russia-Ukraine War had a greater impact on the automotive supply chain and on the growth of automotive business, resulting in a 20% deviation from the targets. However, due to the appreciation of the U.S. dollar in the second half of 2022, exceeding our estimate, it largely offset the negative impact of lower-than-expected revenue growth, so that the achievement rate of gross profit still reached 79%. But The decrease in international shipping costs was not as good as we expected, resulting in the operating expenses reaching 85% of the budget target, which also affected the achievement rate of our operating margin to only 73.21%. In the end, the achievement rate of Profit before Tax reached 109%. This is because the sharp appreciation of the US dollar against Taiwan dollar and RMB in the second half of 2022 resulted in a lot of foreign exchange gains. As a result, the EBITDA only reached 111.10% of the target.

## 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:

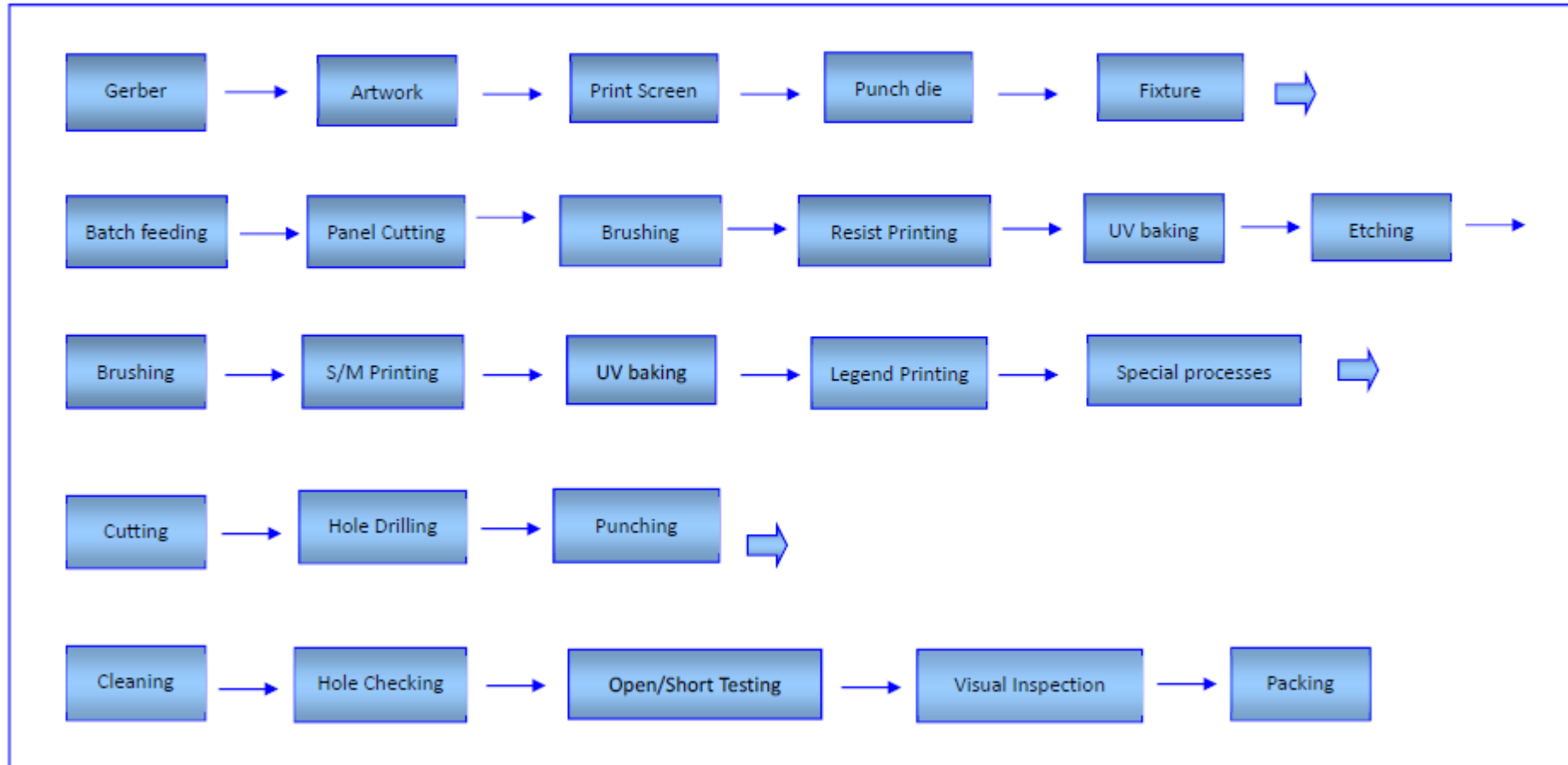
a. Consumers electronics: video camera, car audio, CD-Player, TV game consoles, high-end power supply, industrial control panel, car dashboard, uninterruptible power system, etc.

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.

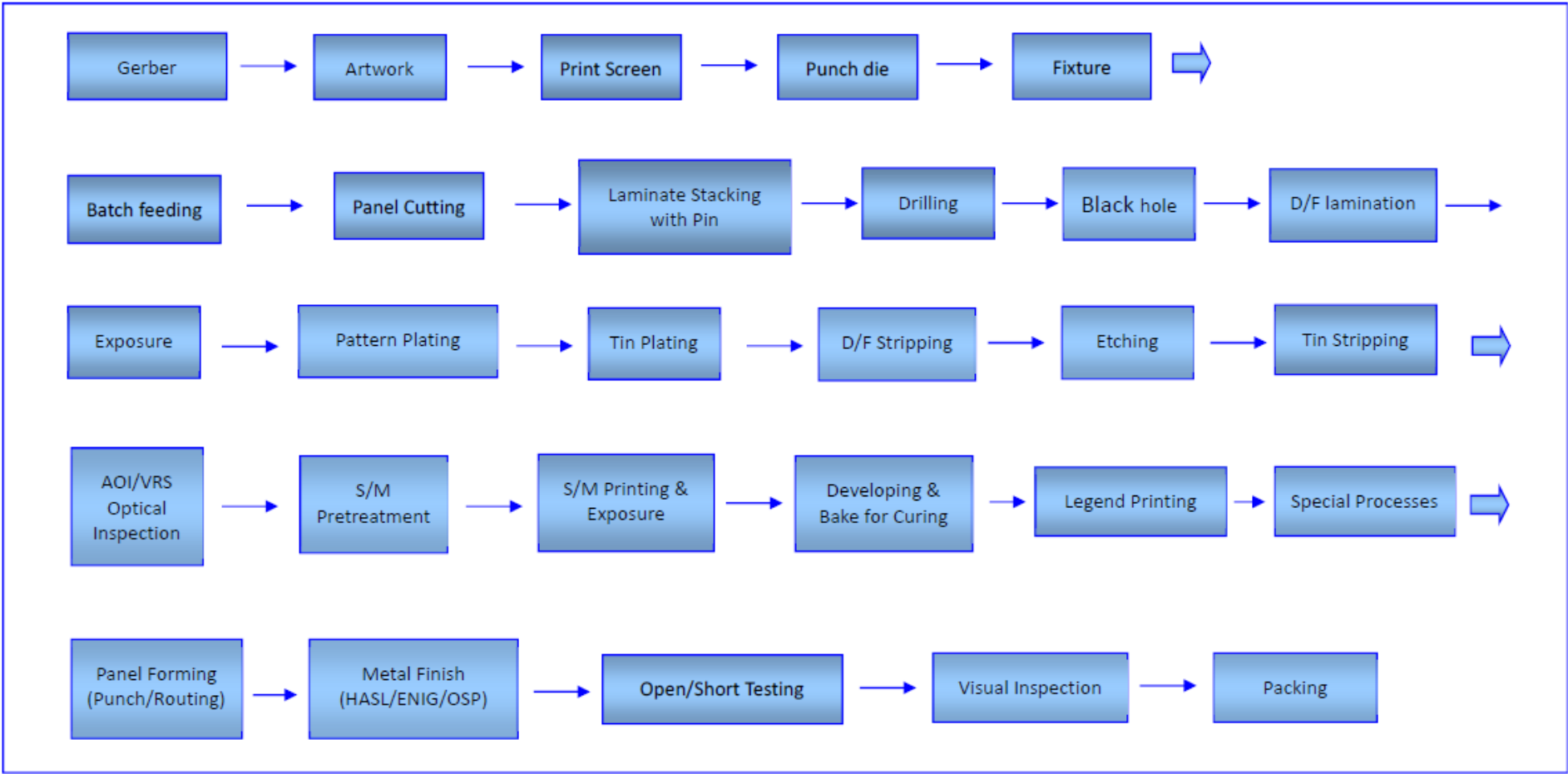
### 5.2.2.2 Manufacturing Processes

## Process Flow of Single-sided PCB

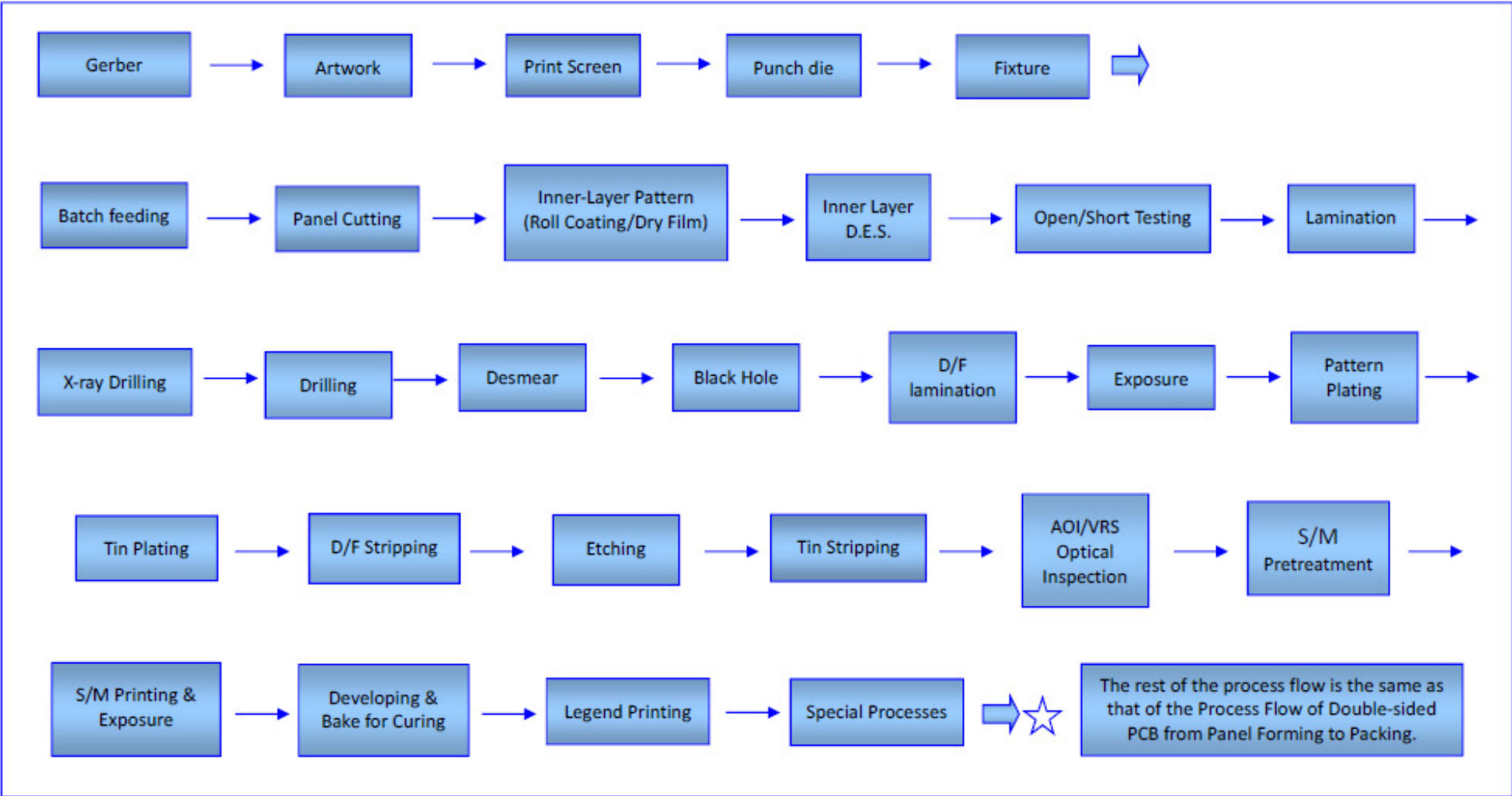




# Process Flow of Double-sided PCB



# Process Flow of MLB



### 5.2.3 Supply of Main Raw Materials

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

### 5.2.4 List of Major Suppliers in the Last Two Years

Unit: NT\$ thousand

Year	2021				2022				Jan. 1, 2023 ~ Mar. 31, 2023 (Note2)			
Rank	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party	Name	Amount	Purchase %	Related Party
1	Nan Ya Plastics	1,510,338	17.20%	No.	Nan Ya Plastics	1,271,818	16.45%	No.	Nan Ya Plastics	250,498	17.46%	No.
2	Nanya Electron Material Kunshan Company	1,332,288	15.18%	No.	Nanya Electron Material Kunshan Company	1,143,533	14.79%	No.	Nanya Electron Material Kunshan Company	243,190	16.95%	No.
	Others	5,936,167	67.62%		Others	5,317,353	68.76%		Others	940,699	65.59%	
	Total	8,778,793	100.00%		Total	7,732,704	100.00%		Total	1,434,387	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 Taiwan Shengyi Technology, 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 have 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<sup>2</sup>

Volume & Value Major Products	2021			2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Single-sided	1,672,072	1,637,415	1,897,593	1,555,426	1,183,153	1,702,533
Double-sided & Multilayer	4,194,162	4,039,096	14,949,550	4,751,510	3,374,918	13,852,374
Total	5,866,234	5,676,511	16,847,143	6,306,936	4,558,071	15,554,907

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<sup>2</sup>

Volume & Value Major Products	Year							
	2021				2022			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Single-sided	40,782	160,551	1,503,476	1,917,033	84,501	344,850	1,121,118	1,568,216
Double-sided & Multilayer	106,000	685,098	3,800,233	15,456,598	121,346	829,388	3,165,958	14,871,874
Total	146,782	845,649	5,303,709	17,373,631	205,847	1,174,238	4,287,076	16,440,090

### 5.3 Employees' Data of the Last Two Years

Year		2021	2022	Jan. 1, 2023 ~ Mar. 31, 2023 (Note)
Number of employees		6,100	5,757	5,968
Average age		35.48	35.57	35.61
Average Seniority		6.64	6.66	6.62
Education	0	0	0	0
	87	87	76	79
	1,774	1,774	1,689	1,718
	3,349	3,349	3,175	3,241
	890	890	817	930

### 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

	2022	Jan. 1, 2023 ~ Mar. 31, 2023
Pollution (type and status)	None	None
Regulator	None	None
Penalty or Expense	None	None
Remark	None	None

## 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 Pingzhen 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\$ 17,674 thousand in 2023 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\$ 2,209 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, labor occupational accident insurance and health insurance. In accordance with the laws and regulations, the Company applies for labor insurance, labor occupational accident insurance, health insurance, and contributes to labor pensions for our employees to protect their current livelihood and their old age in the future.
  - b. All employees participate in casualty insurance. 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. In order to motivate employees and share the Company's profits, its year-end bonuses are given to our employees based on their work performance, contribution and future potential. We refer to the trend of salary adjustment in the labor market and the performance appraisal of our employees to handle their promotion and salary adjustment on a yearly basis in order to motivate and retain talents.
- (3) The Company has established an Employee Welfare Committee to handle employee welfare matters, including social club subsidy, birthday gifts, holiday gifts (vouchers) in such holiday as Dragon Boat Festival, Mid-Autumn Festival and Labor Day, wedding gifts, children's wedding gifts, childbirth gifts, housewarming gifts, employee and children's scholarships, kindergarten children's subsidy, hospitalization subsidy and allowances for relatives' funeral. In the event of an



emergency, the employee may apply to the Employee Welfare Committee for an emergency relief and all members of the committee will vote on the amount of the emergency relief up to NT\$100,000 depending on the status of the emergency.

- (4) Regular employee health examination.
- (5) On-the-job trainings.
- (6) We provide healthy and delicious free meals for all our employees and air-conditioned dormitories for our non-local employees.
- (7) Other welfare measures: The Company provides annual inflation subsidy. We also have several car and motorcycle parking lots so that employees can work with easy commute. In the event that employees need to take care of their babies or require longer-term medical treatment for major injuries or illnesses, we have a system of unpaid leave to allow our employees to take care of their needs of both their families and dealing with their special conditions. Regular health examination and health education are conducted to promote their physical and mental health and to provide a safe workplace for them. There is a library with a collection of more than 10,000 volumes of books and periodicals to expand their professional skills, life knowledge and macroscopic perspective, with literatures and novels to clear their mind and open their heart and with various practical guides for photography and other life skills to enjoy their life.

#### 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. The Company's education and trainings policy is to develop the knowledge and skills necessary for employees at all levels of the organizational system and to train appropriate personnel in advance for the Company's medium- and long-term development plans in order to achieve the Company's management goals for sustainable development.

- (1) The education and trainings are divided into five categories: annual training projects, trainings for different levels of managers, trainings for different functions, special skills trainings and orientation programs for new employees.
  - a. Annual training projects: In order to achieve the Company's annual goals and future development, the training projects are aimed for our employees to learn and enhance their professional knowledge

and skills. The courses in the projects are conducted by the unit in charge of personnel training or the designated unit.

- b. Trainings for different levels of managers: The Company have been developing training courses for professional knowledge and skills in management, technology and quality assurance. The necessary competency development trainings for different levels of supervisors, cadres, and personnel in different work areas are provided to build corporate culture and management consensus and to strengthen the skills of each rank. The courses in the trainings are conducted by the unit in charge of personnel training or the staff unit of the departments in charge of a variety of technology.
- c. Trainings for different functions: The trainings to strengthen the capability of each function to perform a specific operation or business are provided to accomplish each department's key development, its skills trainings or its professional legacy, and to enhance the professional skills and knowledge of each function. The unit of different functions is responsible for planning and conducting the courses in the trainings by itself.
- d. Special skills trainings: We have special skills trainings, due to special requirements of a specific work or compliance with the laws and regulations, for the personnel in charge of such work as environmental protection (engineers in charge of waste water and air pollution), occupational safety and health, electrostatic protection, forklift operation, etc. The courses are planned and conducted by the unit responsible for the specific work.
- e. Orientation programs for new employees are divided into new employee orientation and OJT (On the Job Training)
  - (a) New employee orientation includes company profile and the courses on labor safety and health:
    - Company profile: It is aimed for new employees to understand the Company's history, products, organizational structure, key policies and systems, benefits, working time and other matters.
    - Courses on labor safety and health: It is aimed for new employees to understand relevant laws and regulations, self-inspection procedures, standard operating procedures, emergency response, basic knowledge of fire and first aid, personnel safety, protection against environmental hazards, etc.

- (b) OJT: For new employees' training of professional knowledge and skill, the unit supervisor will assign a person to instruct new employees on professional knowledge, machine operation and skills training according to their own unit's operational guidelines and skills roadmap until they have passed the assessment of their skills proficiency.
- (2) Career development
- a. We have charted a "Roadmap of Professional Proficiency for Every Positions" according to the capabilities required by each positions of the Company, which we use to plan and implement training and ability evaluation for employees. The supervisors are responsible for guiding and assisting their colleagues to pass the threshold of professional knowledge and skill in the roadmap to achieve their promotion.
  - b. Through the multi-skilled trainings and multi-job transfer, the professional knowledge and skills of our employees will be expanded, their capabilities will be enriched and their opportunities for promotion in the future will be increased. And the Company will also have more talents available.
- (3) Establish an internal lecturer system to inherit the Company's intellectual assets and legacy.
- (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	0	0	0	0
2. trainings for different levels of managers	18	285	99	59,500
3. trainings for different functions	2,207	26,484	2,565	897,750
4. special skills trainings	38	157	993	235,120
5. orientation programs for new employees	505	2,825	4,040	589,840
Total	2,768	29,751	7,697	1,782,210

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

a. 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 contribute 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 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 Cyber Security Management:

### 5.6.1 Describe the management framework, the policy, the specific management plan and the invested resources, etc. in the Company's cyber security management.

In order to undertake the Company's commitment to promoting the digital transformation of the industry, the sustainable development of the Group, the protection of employees' personal data and its trade secrets and reliable information and communication services, the cyber security management will be fully introduced to ensure the confidentiality, integrity and availability of information assets and the safety of information systems, equipment and networks. In addition, in order to ensure the rights and interests of our employees, customers and partners, to comply with the regulations of the Cyber Security Management Act and its sub-laws and to maintain a fair environment for market competition, we have hold an inter-departmental meeting to jointly formulate a report on cyber security management for the sustainable management of the enterprise as the top guideline for the Group's cyber security management.

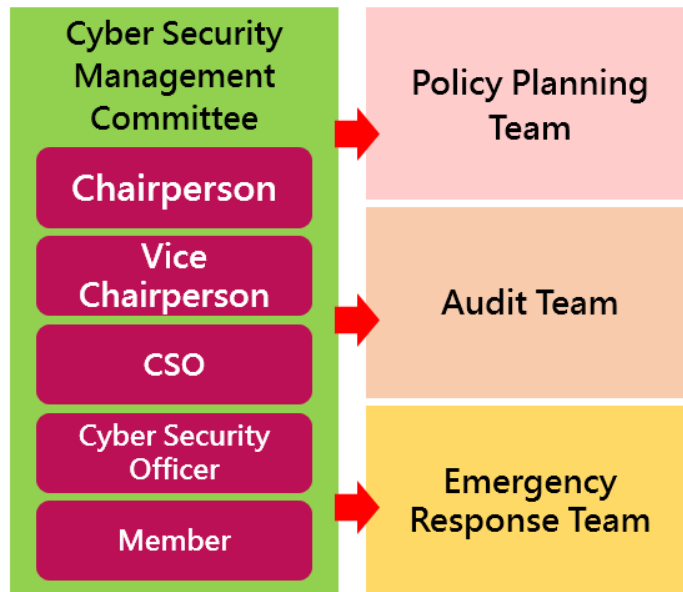
The objects of cyber security management are all employees in the Group, our customers, suppliers and shareholders, relevant trade secrets which include commercial trade secrets and technical trade secrets, and service providers and third-party personnel who have access to the Group's business information or provide services. In order to ensure the Company's cyber security, we have formulated relevant rules and guidelines by referring to proper technology and cyber security standards, and incorporated them into the system of corporate governance and operation management to protect the privacy and information security of employees, suppliers, partners and customers when conducting business contacts with each other.

#### 5.6.1.1 Cyber Security Risk Architecture

- (1) The general manager of the Company convened to set up a cross-departmental cyber security committee, including the policy planning team who is responsible for leading and planning and under whose guidance all units cooperate with the implementation, the audit team who regularly reviews, tracks and audits the Group's cyber security policies and plans and is responsible for supervising their implementation, and the emergency response team who is

responsible for the emergency response of cyber security accidents and disasters. The committee is responsible for formulating cyber security management policies, regularly reviewing and revising them, holding regular meetings to review the implementation, and reporting the implementation and review to the board of directors on an annual basis to reduce cyber security risks.

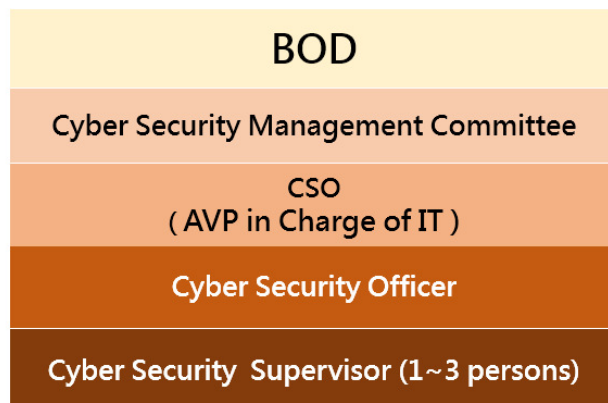
(2)



(2) The Information Department of the Group is the responsible office of cyber security, which is presided by chief security officer and administered by cyber security officer and several cyber security supervisors. The cyber security office is responsible for formulating the cyber security policies for the Group, planning and implementing cyber security management and its related policies, regularly issuing the Group's cyber security overview, and reporting on a regular basis to the Company's cyber security management committee.



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#### 5.6.1.2 Objectives of Cyber Security Policies:

In order to ensure the continuous operation of the Company, the constant availability of the information communication services, the confidentiality, integrity and availability of the information assets and protection of the privacy of personnel data, we have established a sustainable operation plan for the information and communication services and meet the requirements of the information and communication services in accordance with the relevant laws and regulations. The policy planning goals are as follows:

- (1) To ensure the confidentiality of information related to the Group's business and to protect the security of trade secrets and personal data.
- (2) To ensure the integrity and availability of the Group's business information and improve administrative efficiency and quality.
- (3) To develop cyber security protection capabilities, follow government policies and enhance cyber security protection proficiency.
- (4) To comply with laws and regulations and with internal regulations of the Group, ensure the Group's cyber security and achieve the Group's goals of sustainable development.

#### 5.6.1.3 Cyber Security Policies and their Review

- (1) The Group's foundation of cyber security environment should be completed, relevant procedures should be established, and the revision of the internal cyber security regulations in the Group should be completed to ensure the confidentiality, integrity and availability of the information assets of the Group.
- (2) We should strengthen the resilience and security of the Group's foundation of communication network, implement various measures according to the architecture of cyber security responsibilities and establish the Group's governance model of cyber security.
- (3) We should construct the Group's joint defense system of cyber security, strengthen the construction and protection of the key information infrastructures and establish a cross-areas joint defense mechanism of cyber security. In addition to requiring our suppliers to comply with the relevant regulations of cyber security, we should conduct appropriate supervision and management of their subcontractors as well.

- (4) We should enhance the prevention mechanism for hackers' attacks, and establish a notification system for cyber security accidents and response mechanisms to ensure the proper response, control and handling of cyber security accidents.
- (5) We should regularly perform cyber security audits, regularly survey the usage of all personnel and equipment within the cyber security management system and enhance the Group's own resources to ensure the self-implementation of the cyber security management.
- (6) We should provide regular education and trainings and give irregular cyber security notices or warnings to enhance employees' awareness of cyber security.
- (7) We should provide the professional trainings for the Group's cyber security talents, establish the cyber security management committee and organize the cyber security office.
- (8) The cyber security policies should be approved by the chief information officer, assessed at least once a year, and regularly reported to the cyber security management committee. If there are major changes in the organization (such as organizational architecture adjustments, major business changes, etc.), we should reassess the current cyber security policies and make corresponding revisions based on the reassessment results and the latest status of relevant regulations, technology, business and audit reports.

<b>C H I N P O O N</b>	<b>Vision</b>	<b>Build a Safe and Reliable Intelligent Enterprise and Smart Factories</b>			
	<b>Goal</b>	<b>Cultivate Self-Protection Resources of Cyber Security to Ensure the Security of the Enterprise</b>			
	<b>Strategy</b>	Complete The Group's foundation of cyber security environment	Construct the Group's Joint Defense System of Cyber Security	Enhance the Group's the Self-Protection Resources of Cyber Security	Cultivate Excellent Cyber Security Talents
	<b>Approaches</b>	<ol style="list-style-type: none"> <li>1. Revise the cyber security regulations.</li> <li>2. Strengthen the resilience and security of network communication.</li> <li>3. Establish the governance model of cyber security.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen the construction and protection of the key information infrastructures.</li> <li>2. Establish a cross-areas joint defense mechanism of cyber security.</li> <li>3. Enhance the prevention mechanism for hackers' attacks.</li> </ol>	<ol style="list-style-type: none"> <li>1. Converge the R &amp; D resources of industry, academia and service providers to develop new technologies.</li> <li>2. Provide regular trainings and irregular notices and warnings to enhance employees' awareness of cyber security.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide the professional trainings for the Group's cyber security talents.</li> <li>2. Establish the cyber security Management Committee.</li> <li>3. Organize the cyber security office.</li> </ol>

#### 5.6.1.4 Approaches and Measures for Cyber Security Management

- (1) In accordance with the ISO 27001 requirements, we have implemented the "Plan-Do-Check-Act Cycle " (PDCA cycle) to establish operational procedures for cyber security management system. Various security measures can be divided into the following categories by using PDCA cycle.
  - a. Plan:

Establish policies and objectives for managing cyber security risks, formulate operational procedures for cyber security management system and assess the effectiveness of their management.
  - b. Do:

Regularly conduct management review and internal audit on the Group's cyber security policies, measure the effectiveness of the Group's cyber security operations and conduct risk analysis and assessment of the Group's cyber security.
  - c. Check:

Compare the difference between the results of the implementation and the expected targets and document usage records, track records and preserved evidence which are used as the necessary information in the cyber security audits
  - d. Act:

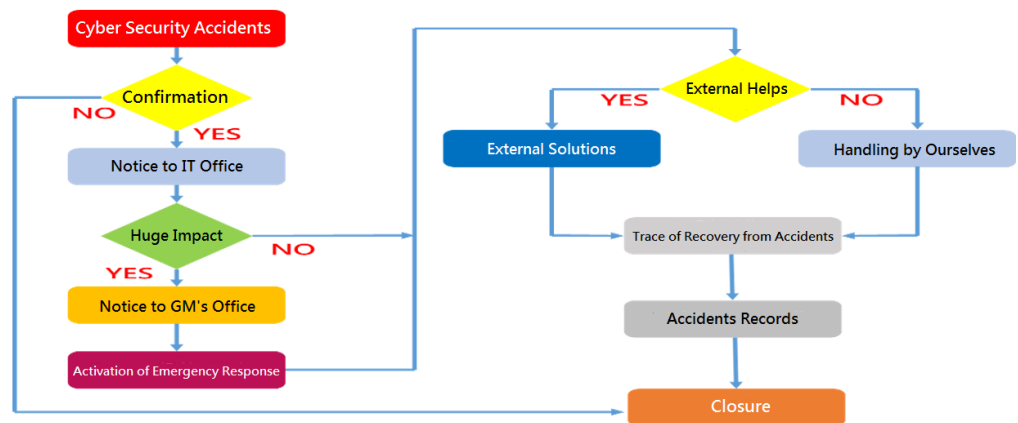
Propose a correction plan to reduce the difference between results and targets so that the next plan will be more complete to deal with cyber security. The corresponding actions facilitate the continuous correction and improvement of cyber security.
  
- (2) Specific management projects for cyber security:
  - a. Comply with the laws and regulations and establish a compliance mechanism which completes the Group's internal regulations for cyber security and revises relevant operational procures to comply with the cyber security standards. And strengthen the resilience and security of the Group's foundation of communication network.
  - b. Establish the Group's governance model of cyber security, regularly reassess the current cyber security policies and make corresponding revisions based on the reassessment results and the latest status of relevant regulations, technology, business and audit reports.
  - c. Strengthen the construction and protection of the key information infrastructures and establish a cross-areas joint defense

mechanism of cyber security. Our employees, our contractors and their subcontractors, depending on the business needs, should sign a Non-Disclosure Agreement (NDA) to ensure that those who use the Company's information to provide information services or perform related information services have the responsibility and obligation to protect the access to or the use of the Company's information assets in order to protect from unauthorized access, modification, destruction or improper disclosure.

- d. Identify the core business and the core systems of the Group, compile a list of information assets to establish a regular inventory of them, conduct risk management according to the risk assessment of cyber security and implement various control measures.
- e. Enhance the prevention mechanism for hackers' attacks, regularly perform redundancy and backup operations and regularly adjust and audit them.
- f. Ensure the processes of core business (key system) are not affected by major failures and disasters, formulate contingency plans, establish appropriate redundancy or monitoring mechanisms and conduct regular drills to ensure that operational processes are recovered in time and maintain their availability.
- g. Install antivirus software on the computers of the Company and prohibit the use of unauthorized software. The account number, password and permission of our employees should be properly kept and used and changed on a regular basis.
- h. Formulate the standard procedures for responding to and reporting cyber security accidents so as to appropriately deal with them in a timely manner to avoid the spillage of their damage.
- i. All employees should abide by legal regulations and the requirements of the cyber security policies. And the supervisors should supervise the implementation of the cyber security system and enhance employees' awareness of cyber security and legal compliance.
- j. Converge the R & D resources of industry, academia and service providers to develop new technologies, provide regular education and trainings and give irregular cyber security notices or warnings to enhance employees' awareness of cyber security.

Objects of Cyber Security Management	Related Measures
Availability	1.Real time monitoring of system and network availability. 2.Redundency and backup to ensure that complete information can be restored. 3.Regular drills of disaster recovery plan. 4. Planning and drills of emergency response measures.
Threats	1.Virus and malware attack detection. 2.Computer vulnerability assessment and management.
Authority Management	1.Account and permission management. 2.Regularly review of user accounts and their access permission. 3.Management of access to computer facilities.
Access Control	1. Management of access to administrative information. 2.Data access records. 3.Data encryption.

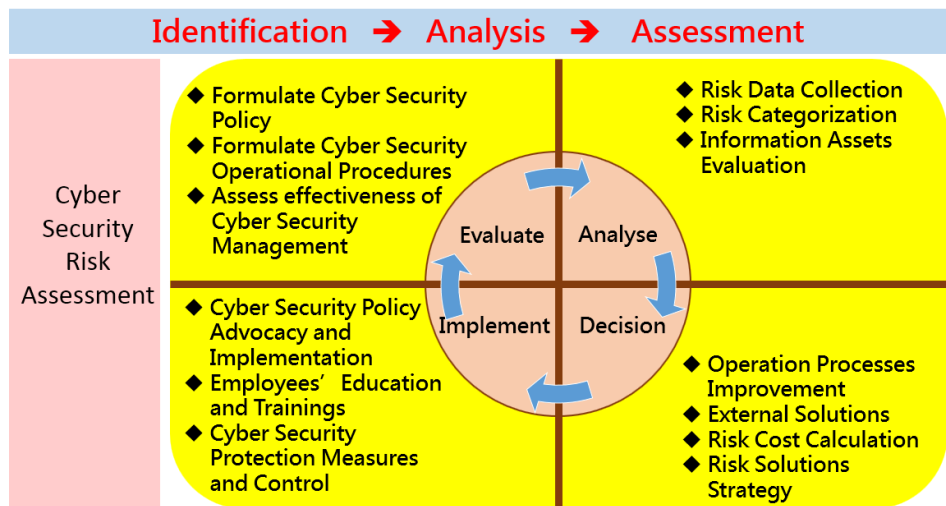
### (3) Cyber Security Notification Procedure



### (4) Cyber Security Risk Assessment

- a. The Group allocates limited resources to control cyber security according to the various levels of risk. Through control measures, we manage to reduce the Group's cyber security risk to an acceptable level. We systematically manage the risk of the Group's cyber security and effectively protect the investment in the Group's information and communication resources.
- b. The Information Department of the Group is the responsible office of cyber security, which is administered by cyber security officer and several cyber security supervisors. The cyber security office is responsible for formulating the cyber security policies for the Group, planning and implementing cyber security management and its related policies, regularly reporting to the board of directors on its

- cyber security management overview, and regularly issuing the overview in order to facilitate the Group's sustainable development.
- c. The Group establishes a cyber security audit team through the cyber security management committee, which is responsible for supervising and auditing the implementation of cyber security management within the Group. If there is any defect found in the audit, it will immediately ask the audited unit to propose relevant correction plans and specific actions and regularly track their corrections to effectively reduce internal cyber security risks.
  - d. We conduct continuous audit and improvement through PDCA cycle to ensure the achievement of the Group's goals of reliability and continuous improvement



5.6.2 List the losses, possible impacts caused by major cyber security accidents and their countermeasures in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be specified.

In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the Company has never suffered any loss due to any major cyber security accident.

#### 5.6.2.1 Implementation of Cyber Security Advocacy in 2021

We have conducted two batches of cyber security education, i.e., a 3-hour "Simulation Training on Social Engineering" with a total of 200 managers and employees attending.

#### 5.6.2.2 Cyber Security Management Implementation in 2022

##### a. Cyber security accidents

The Company has reviewed the implementation of the cyber security policies by all units. In March 2023, an external phishing attack occurred. According to the emergency response measures and cyber security operational procedures, we have taken the responsive measures and documented the whole procedures. And the prevention measures effectively blocked the potential damages immediately. No major damage has occurred. In addition, the security protection of the SPAM system was strengthened to prevent the intrusion of phishing emails. Mail server was enhanced by virus protection settings. All the measures were taken to provide an enterprise-level in-depth protection mechanism through a multi-faceted model to avoid the loss of sensitive data and business losses caused by malicious phishing emails and ransomware, to effectively protect the email system from threats, and to prevent external cyber security attacks.

##### b. Drills on cyber security accidents and their recovery

We have conducted one drill on recovery from redundancy in case of accidents, four drills on social engineering and five emergency response drills. We also gave awareness notice on cyber security to all employees once per quarter and reported the status and major issues of cyber security in the management committee once per month. All is to enhance the officers' and all employees' response and awareness against cyber security risks.

##### c. Conduct one vulnerability scanning and one cyber security exposure simulation this year to spot and repair system risk loopholes in advance, to strengthen system defense capabilities, and to reduce risks.

### 5.7 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

Year		Last Five Years (Note 1)					Jan. 1, 2023 ~ Mar. 31, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current Assets		14,306,924	12,906,391	11,981,325	14,405,703	14,275,934	14,192,234
Property, Plant and Equipment (Note 2)		7,117,745	7,863,012	7,331,156	7,388,403	6,721,425	6,515,337
Intangible Assets		0	0	0	0	0	0
Other Assets (Note 2)		1,731,165	2,335,024	3,164,837	1,422,837	1,584,335	1,467,380
Total Assets		23,155,834	23,104,427	22,477,318	23,216,943	22,581,694	22,174,951
Current Liabilities	Before Distribution	7,047,242	6,325,895	6,261,915	7,065,506	5,820,682	5,345,086
	After Distribution	6,848,494	5,928,400	6,063,167	6,866,758	Note 4	Note 4
Noncurrent Liabilities		647,120	1,041,234	909,299	879,600	907,522	900,854
Total Liabilities	Before Distribution	7,694,362	7,367,129	7,171,214	7,945,106	6,728,204	6,245,940
	After Distribution	7,495,614	6,969,634	6,972,466	7,746,358	Note 4	Note 4
Equity Attributable to Shareholders of the Parent		15,448,041	15,735,751	15,305,146	15,271,286	15,853,107	15,928,732
Share Capital		3,974,954	3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus		1,568,318	1,578,800	1,579,225	1,579,698	1,580,137	1,580,137
Retained Earnings	Before Distribution	10,046,949	10,532,226	10,185,336	10,288,379	10,602,895	10,644,930
	After Distribution	9,848,201	10,134,731	9,986,588	10,089,631	Note 4	Note 4
Other Equity		(142,180)	(350,229)	(434,369)	(571,745)	(304,879)	(271,289)
Treasury Stock		0	0	0	0	0	0
Noncontrolling Interests		13,431	1,547	958	551	383	279
Total Equity	Before Distribution	15,461,472	15,737,298	15,306,104	15,271,837	15,853,490	15,929,011
	After Distribution	15,262,724	15,339,803	15,107,356	15,073,089	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 2023 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)				
			2018	2019	2020	2021	2022
Current Assets			8,447,888	8,654,500	8,298,405	9,325,573	9,134,597
Property, Plant and Equipment (Note 2)			3,997,508	4,129,901	3,829,617	3,716,195	3,342,955
Intangible Assets			0	0	0	0	0
Other Assets (Note 2)			8,938,895	8,988,380	8,889,839	8,626,907	9,120,799
Total Assets			21,384,291	21,772,781	21,017,861	21,668,675	21,598,351
Current Liabilities	Before Distribution		5,308,179	5,028,533	4,836,294	5,578,974	4,880,106
	After Distribution		5,109,431	4,631,038	4,637,546	5,380,226	Note 3
Noncurrent Liabilities			628,071	1,008,497	876,421	818,415	865,138
Total Liabilities	Before Distribution		5,936,250	6,037,030	5,712,715	6,397,389	5,745,244
	After Distribution		5,737,502	5,639,535	5,513,967	6,198,641	Note 3
Share Capital			3,974,954	3,974,954	3,974,954	3,974,954	3,974,954
Capital Surplus			1,568,318	1,578,800	1,579,225	1,579,698	1,580,137
Retained Earnings	Before Distribution		10,046,949	10,532,226	10,185,336	10,288,379	10,602,895
	After Distribution		9,848,201	10,134,731	9,986,588	10,089,631	Note 3
Other Equity			(142,180)	(350,229)	(434,369)	(571,745)	(304,879)
Treasury Stock			0	0	0	0	0
Total Equity	Before Distribution		15,448,041	15,735,751	15,305,146	15,271,286	15,853,107
	After Distribution		15,249,293	15,338,256	15,106,398	15,072,538	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 2023 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)					Jan. 1, 2023 ~ Mar. 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating Revenue	20,173,888	17,848,498	15,313,285	18,219,280	17,614,328	3,970,344
Gross Profit	2,075,859	1,394,508	869,832	1,133,647	1,507,127	349,928
Operating Income	895,053	298,142	(123,771)	(185,654)	272,677	45,650
Non-operating Income and Expenses	(519,984)	534,212	148,497	646,318	470,006	33,688
Profit before Tax	375,069	832,354	24,726	460,664	742,683	79,338
Profit (loss) from continuing operations	162,225	659,972	45,702	337,700	496,238	41,920
Net income (loss)	162,225	659,972	45,702	337,700	496,238	41,920
Other comprehensive income, net of tax	7,716	(184,552)	(79,873)	(173,693)	283,724	33,601
Total Comprehensive Income	169,941	475,420	(34,171)	164,007	779,962	75,521
Net Income (Loss) Attributable to Shareholders of the Parent	163,311	660,825	46,118	337,782	496,591	42,035
Noncontrolling Interests	(1,086)	(853)	(416)	(82)	(353)	(115)
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	170,801	476,043	(33,504)	164,415	780,130	75,625
Total Comprehensive Income (Loss) Attributable to Noncontrolling Interests	(860)	(623)	(667)	(408)	(168)	(104)
Earnings Per Share (Note 3)	0.41	1.66	0.12	0.85	1.25	0.11

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

Note 2: Reviewed by CPAs.

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

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

2018: NT\$ 0.

2019: NT\$ 0.

2020: NT\$ 0.

2021: NT\$ 0.

2022: NT\$ 0.

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

Unit: NT\$ thousand

Year Item	Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	15,425,920	13,382,708	11,904,201	14,039,867	13,611,301
Gross Profit	1,307,784	994,049	468,018	589,242	846,896
Operating Income	619,681	346,391	(157,068)	(95,553)	219,667
Non-operating Income and Expenses	(361,869)	444,641	137,943	544,521	528,442
Profit before Tax	257,812	791,032	(19,125)	448,968	748,109
Profit (loss) from continuing operations	163,311	660,825	46,118	337,782	496,591
Net income (loss)	163,311	660,825	46,118	337,782	496,591
Other comprehensive income, net of tax	7,490	(184,782)	(79,622)	(173,367)	283,539
Total Comprehensive Income	170,801	476,043	(33,504)	164,415	780,130
Earnings Per Share (Note 2)	0.41	1.66	0.12	0.85	1.25

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:

2018: NT\$ 0.

2019: NT\$ 0.

2020: NT\$ 0.

2021: NT\$ 0.

2022: NT\$ 0.

### 6.1.3 CPAs' Opinions in the Past Five Years

Year	CPAs	Opinions	Remark
2018	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	
2019	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	
2020	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	
2021	CPA Lily Lu, CPA Victor Wang	An Unqualified Opinion	
2022	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

Year (Note 1)		Last Five Years					Jan. 1, 2023 ~ Mar. 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Item (Note 3)							
Financial structure	Debt Ratio (%)	33	32	32	34.22	29.79	28.16
	Long-term Fund to Property, Plant and Equipment Ratio (%)	217	200	209	206.70	235.86	244.48
Solvency	Current Ratio (%)	203	204	191	203.88	245.26	265.51
	Quick Ratio (%)	150	154	144	142.77	174.99	196.81
	Interest Coverage Ratio (times)	7	15	2	22.02	27.21	6.61
Operating Performance	Accounts Receivable Turnover (times)	4.95	4.89	4.35	4.76	4.34	4.31
	Average Collection Period	73.73	74.64	83.9	76.68	84.10	84.68
	Average Inventory Turnover (times)	4.68	4.87	4.78	4.74	3.89	3.80
	Accounts Payable Turnover (times)	5.25	5.71	5.42	5.59	5.37	6.05
	Average Inventory Turnover Days	77.99	74.94	76.35	77.00	93.83	96.05
	Property, Plant and Equipment Turnover (times)	2.71	2.38	2.02	2.47	2.49	2.39
	Total Assets Turnover (times)	0.83	0.77	0.67	0.79	0.76	0.71
Profitability	Return on Total Assets (%)	1	3	0.47	1.54	2.24	0.88
	Return on Equity (%)	1	4	0.29	2.20	3.18	1.05
	Pre-tax Income to Share Capital Ratio (%)	9	21	1	11.58	18.68	7.98
	Net Margin (%)	1	4	0.3	1.85	2.81	1.05
	Earnings Per Share (NT\$)	0.41	1.66	0.12	0.85	1.25	0.11
Cash Flow	Cash Flow Ratio (%)	26	28	21	-2.35	36.15	28.50
	Cash Flow Adequacy Ratio (%)	116	140	177	122.24	144.17	155.76
	Cash Reinvestment Ratio (%)	3	6	3	-1.33	6.55	5.17
Leverage	Operating Leverage	5.86	14.27	-27.13	-21.36	15.34	20.39
	Financial Leverage	1.07	1.26	0.79	0.89	1.12	1.45

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)

- Solvency: Mainly due to the reduction of current liabilities, the current ratio and quick ratio increased; the increase in net profit before income tax and interest expenses improved the interest coverage ratio.
- Average inventory turnover days: Mainly due to the decrease in average inventory turnover, the average inventory turnover days increased.
- 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: Due to the increase in net cash inflow from operating activities, the cash flow ratio and cash reinvestment ratio increased.
- Leverage: As the operating income turned from negative to positive, the operating leverage and financial leverage increased.

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 2023 shareholders meeting is still pending.

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

Year (Note 1)		Last Five Years				
		2018	2019	2020	2021	2022
Item (Note 2)						
Financial structure	Debt Ratio (%)	28	28	27	29.52	26.60
	Long-term Fund to Property, Plant and Equipment Ratio (%)	386	381	400	410.93	474.22
Solvency	Current Ratio (%)	159	172	172	167.15	187.18
	Quick Ratio (%)	118	131	133	119.40	134.92
	Interest Coverage Ratio (times)	9	23	0.21	30.47	32.70
Operating Performance	Accounts Receivable Turnover (times)	5.04	4.98	4.76	5.16	4.72
	Average Collection Period (days)	72.42	73.29	76.68	70.73	77.33
	Average Inventory Turnover (times)	5.69	5.99	5.96	6.03	4.97
	Accounts Payable Turnover (times)	4.99	4.81	4.99	5.39	4.86
	Average Inventory Turnover Days	64.15	60.93	61.24	60.53	73.44
	Property, Plant and Equipment Turnover (times)	3.53	3.29	2.99	3.72	3.86
	Total Assets Turnover (times)	0.69	0.62	0.56	0.66	0.63
Profitability	Return on Total Assets (%)	1	3	-0.06	1.63	2.36
	Return on Equity (%)	1	4	0.3	2.20	3.19
	Pre-tax Income to Share Capital Ratio (%)	6	20	-0.48	11.29	18.82
	Net Margin (%)	1	5	0.39	2.40	3.64
	Earnings Per Share (NT\$)	0.41	1.66	0.12	0.85	1.25
Cash Flow	Cash Flow Ratio (%)	21	26	8	4.57	22.96
	Cash Flow Adequacy Ratio (%)	93	108	121	95.39	114.04
	Cash Reinvestment Ratio (%)	1	5	-0.01	0.25	3.94
Leverage	Operating Leverage	6.48	9.64	-16.63	-32.97	15.00
	Financial Leverage	1.06	1.12	0.87	0.86	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)

- Solvency: Mainly due to the reduction of current liabilities, the current ratio and quick ratio increased; the increase in net profit before income tax and interest expenses improved the interest coverage ratio.
- Average inventory turnover days: Mainly due to the decrease in average inventory turnover, the average inventory turnover days increased.
- 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.
- Leverage: As the operating income turned from negative to positive, the operating leverage and financial leverage increased.

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

Note 2: The resolution of the 2023 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 2022 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 13, 2023

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



**CHIN-POON INDUSTRIAL CO., LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

**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, 2022 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 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. 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: Zeng , Liu-Yuzhi

Date: March 13, 2023



安侯建業聯合會計師事務所  
KPMG

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## 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 Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 Group as of December 31, 2022 and 2021, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### 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, 2022. 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 Group 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 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(o) for the related disclosures on the refund liabilities for sales returns and discounts of the consolidated financial statements.

Description of key audit matter:

The Group 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 has prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

**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 Group'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 Group 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 Group'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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Group'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 Group'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 Group 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 Group 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 for the year ended December 31, 2022 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 13, 2023

#### **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, 2022 and 2021**

(All amounts expressed in thousands of New Taiwan dollars)

	<b>December 31, 2022</b>		<b>December 31, 2021</b>			<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>									
11xx <b>Current assets:</b>					21xx <b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 3,366,817	15	3,824,300	17	2100 Short-term loans (notes 6(i), 8 and 9)	\$ 802,558	3	1,352,335	6
1110 Financial assets measured at fair value through profit and loss—current (note 6(b))	1,854,274	8	34	-	2120 Financial liabilities at fair value through profit or loss—current (note 6(b))	3,821	-	-	-
1150 Notes receivable, net (notes 6(d) and (o))	11,013	-	4,337	-	2150 Notes payable	639,031	3	817,394	4
1170 Accounts receivable, net (notes 6(d) and (o))	3,865,643	17	4,229,831	18	2170 Accounts payable	1,999,077	9	2,535,350	11
1200 Other receivables (note 6(e))	94,961	-	138,836	1	2219 Other payables (notes 6(k) and 6(p))	1,168,951	5	1,191,452	5
1220 Current income tax assets	-	-	9,805	-	2230 Current tax liabilities	146,082	1	47,411	-
130x Inventories (notes 6(f) and 9)	4,010,478	18	4,256,689	18	2280 Current lease liabilities (note 6(j))	40,875	-	52,542	-
1410 Prepayments	79,273	-	61,466	-	2399 Other current liabilities (note 6(o))	1,020,287	5	1,069,022	4
1476 Other financial assets—current (note 6(c))	894,330	4	1,663,308	7		<u>5,820,682</u>	<u>26</u>	<u>7,065,506</u>	<u>30</u>
1479 Other current assets	99,145	1	217,097	1	<b>Total current liabilities</b>				
<b>Total current assets</b>	<u>14,275,934</u>	<u>63</u>	<u>14,405,703</u>	<u>62</u>	25xx <b>Non-Current liabilities:</b>				
15xx <b>Non-current assets:</b>					2580 Deferred tax liabilities (note 6(l))	707,303	3	588,447	3
1600 Property, plant and equipment (notes 6(g), 7, 8 and 9)	6,721,425	30	7,388,403	32	2640 Non-current lease liabilities (note 6(j))	170,000	1	260,234	1
1755 Right-of-use assets (note 6(h))	246,101	1	350,369	2	2640 Net defined benefit liability—non-current (note 6(k))	30,219	-	30,919	-
1840 Deferred tax assets (note 6(l))	216,288	1	218,925	1	<b>Total non-current liabilities</b>	<u>907,522</u>	<u>4</u>	<u>879,600</u>	<u>4</u>
1915 Prepayments for equipment (note 9)	3,711	-	-	-	<b>Total liabilities</b>	<u>6,728,204</u>	<u>30</u>	<u>7,945,106</u>	<u>34</u>
1975 Net defined benefit asset—non-current (note 6(k))	127,150	1	95,926	-	<b>Equity attributable to shareholders of the parent (note 6(m)):</b>				
1980 Other financial assets—non-current (note 6(c))	991,085	4	757,617	3	31xx Common stock	3,974,954	17	3,974,954	17
<b>Total non-current assets</b>	<u>8,305,760</u>	<u>37</u>	<u>8,811,240</u>	<u>38</u>	3200 Capital surplus	1,580,137	7	1,579,698	7
					3300 Retained earnings:				
					3310 Legal reserve	2,439,494	11	2,409,315	10
					3320 Special reserve	571,745	2	434,369	2
					3350 Unappropriated earnings	7,591,656	34	7,444,695	32
						<u>10,602,895</u>	<u>47</u>	<u>10,288,379</u>	<u>44</u>
					3400 Other equity:				
					3410 Foreign currency translation differences for foreign operations	(304,879)	(1)	(571,745)	(2)
					31xx <b>Total equity attributable to shareholders of the company</b>	<u>15,853,107</u>	<u>70</u>	<u>15,271,286</u>	<u>66</u>
					36xx <b>Non-controlling interests</b>	<u>383</u>	<u>-</u>	<u>551</u>	<u>-</u>
					3xxx <b>Total equity</b>	<u>15,853,490</u>	<u>70</u>	<u>15,271,837</u>	<u>66</u>
1xxx <b>Total assets</b>	<u>\$ 22,581,694</u>	<u>100</u>	<u>23,216,943</u>	<u>100</u>	2-3xxx <b>Total liabilities and equity</b>	<u>\$ 22,581,694</u>	<u>100</u>	<u>23,216,943</u>	<u>100</u>

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, 2022 and 2021**

(All amounts expressed in thousands of New Taiwan dollars)

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(o))</b>	\$ 17,614,328	100	18,219,280	100
5000 <b>Operating costs (notes 6(f), (k) and 7)</b>	<u>16,107,201</u>	<u>91</u>	<u>17,085,633</u>	<u>94</u>
5900 <b>Gross profit</b>	<u>1,507,127</u>	<u>9</u>	<u>1,133,647</u>	<u>6</u>
6000 <b>Operating expenses (notes 6(d), (e), (k), (p) and 7):</b>				
6100 Selling expenses	448,420	3	579,715	3
6200 Administrative expenses	464,031	3	425,769	2
6300 Research and development expenses	322,180	2	306,422	2
6450 Expected credit losses (reversal of expected credit losses)	<u>(181)</u>	<u>-</u>	<u>7,395</u>	<u>-</u>
<b>Total operating expenses</b>	<u>1,234,450</u>	<u>8</u>	<u>1,319,301</u>	<u>7</u>
6900 <b>Operating income (loss)</b>	<u>272,677</u>	<u>1</u>	<u>(185,654)</u>	<u>(1)</u>
7000 <b>Non-operating income and expenses (notes 6(b), (g), (j) and (q)):</b>				
7100 Interest income	98,772	1	100,890	1
7010 Other income	152,251	1	312,555	2
7020 Other gains and losses	247,310	1	254,780	1
7050 Finance costs	<u>(28,327)</u>	<u>-</u>	<u>(21,907)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>470,006</u>	<u>3</u>	<u>646,318</u>	<u>4</u>
7900 <b>Income before income tax</b>	742,683	4	460,664	3
7950 <b>Less: Income tax expenses (note 6(l))</b>	<u>246,445</u>	<u>1</u>	<u>122,964</u>	<u>1</u>
<b>Net income</b>	<u>496,238</u>	<u>3</u>	<u>337,700</u>	<u>2</u>
8300 <b>Other comprehensive income (note 6(l)):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans	20,801	-	(44,989)	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>4,128</u>	<u>-</u>	<u>(8,998)</u>	<u>-</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>16,673</u>	<u>-</u>	<u>(35,991)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Foreign currency translation differences for foreign operations	267,051	1	(137,702)	(1)
8399 Less: income tax related to items that will be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total items that will be reclassified subsequently to profit or loss</b>	<u>267,051</u>	<u>1</u>	<u>(137,702)</u>	<u>(1)</u>
8300 <b>Other comprehensive income (loss), net of tax</b>	<u>283,724</u>	<u>1</u>	<u>(173,693)</u>	<u>(1)</u>
8500 <b>Total comprehensive income</b>	<u>\$ 779,962</u>	<u>4</u>	<u>164,007</u>	<u>1</u>
8600 <b>Net income (loss) attributable to:</b>				
8610 Shareholders of the Company	\$ 496,591	3	337,782	2
8620 Non-controlling interests	<u>(353)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>	<u>\$ 496,238</u>	<u>3</u>	<u>337,700</u>	<u>2</u>
8700 <b>Total comprehensive income attributable to:</b>				
8710 Shareholders of the Company	\$ 780,130	4	164,415	1
8720 Non-controlling interests	<u>(168)</u>	<u>-</u>	<u>(408)</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>	<u>\$ 779,962</u>	<u>4</u>	<u>164,007</u>	<u>1</u>
<b>Basic earnings per share(expressed in New Taiwan dollars) (note 6(n))</b>				
9750 Basic earnings per share	<u>\$ 1.25</u>		<u>0.85</u>	
9850 Diluted earnings per share	<u>\$ 1.25</u>		<u>0.85</u>	

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, 2022 and 2021  
(All amounts expressed in thousands of New Taiwan dollars)

Equity attributable to shareholders of the Company

	Common stock	Capital surplus	Retained earnings			Subtotal	Other equity	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated earnings		Foreign currency translation differences for foreign operations			
<b>Balance at January 1, 2021</b>	\$ 3,974,954	1,579,225	2,404,255	350,229	7,430,852	10,185,336	(434,369)	15,305,146	958	15,306,104
Appropriation and distribution:										
Legal reserve	-	-	5,060	-	(5,060)	-	-	-	-	-
Special reserve	-	-	-	84,140	(84,140)	-	-	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	(198,748)	-	(198,748)
Net income for the year	-	-	-	-	337,782	337,782	-	337,782	(82)	337,700
Other comprehensive income for the year	-	-	-	-	(35,991)	(35,991)	(137,376)	(173,367)	(326)	(173,693)
Total comprehensive income for the year	-	-	-	-	301,791	301,791	(137,376)	164,415	(408)	164,007
Changes in non-controlling interests	-	40	-	-	-	-	-	40	1	41
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	433	-	-	-	-	-	433	-	433
<b>Balance at December 31, 2021</b>	3,974,954	1,579,698	2,409,315	434,369	7,444,695	10,288,379	(571,745)	15,271,286	551	15,271,837
Appropriation and distribution:										
Legal reserve	-	-	30,179	-	(30,179)	-	-	-	-	-
Special reserve	-	-	-	137,376	(137,376)	-	-	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	(198,748)	-	(198,748)
Net income for the year	-	-	-	-	496,591	496,591	-	496,591	(353)	496,238
Other comprehensive income for the year	-	-	-	-	16,673	16,673	266,866	283,539	185	283,724
Total comprehensive income for the year	-	-	-	-	513,264	513,264	266,866	780,130	(168)	779,962
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	439	-	-	-	-	-	439	-	439
<b>Balance at December 31, 2022</b>	\$ <u>3,974,954</u>	<u>1,580,137</u>	<u>2,439,494</u>	<u>571,745</u>	<u>7,591,656</u>	<u>10,602,895</u>	<u>(304,879)</u>	<u>15,853,107</u>	<u>383</u>	<u>15,853,490</u>

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, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	2022	2021
<b>Cash flows from operating activities:</b>		
Income before tax	\$ 742,683	460,664
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit and loss</b>		
Depreciation expenses	1,131,509	1,103,977
Expected credit losses (reversal of expected credit losses)	(181)	7,395
Net gains on financial assets measured at fair value through profit or loss	(6,722)	(2,792)
Interest expense	28,327	21,907
Interest income	(98,772)	(100,890)
Losses on disposal of property, plant and equipment	7,008	5,322
Unrealized losses (gains) on foreign exchange	(3,017)	11,088
Gain on lease modification	(92)	-
Total adjustments to reconcile profit and loss	<u>1,058,060</u>	<u>1,046,007</u>
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Notes receivable	(6,619)	30,420
Accounts receivable	385,487	(882,004)
Other receivables	43,408	(25,313)
Inventories	290,969	(1,349,592)
Prepayments	(17,118)	(8,918)
Other current assets	119,634	(57,943)
Total net changes in operating assets	<u>815,761</u>	<u>(2,293,350)</u>
Net changes in operating liabilities:		
Notes payable	(178,363)	331,700
Accounts payable	(483,443)	297,520
Other payable	(23,262)	(66,867)
Other current liabilities	54,357	4,824
Net defined benefit liability	(14,508)	(10,389)
Total net changes in operating liabilities	<u>(645,219)</u>	<u>556,788</u>
Total net changes in operating assets and liabilities	<u>170,542</u>	<u>(1,736,562)</u>
Total adjustments	<u>1,228,602</u>	<u>(690,555)</u>
Cash inflow generated from operations	1,971,285	(229,891)
Interest income received	173,137	35,583
Interest paid	(23,822)	(22,357)
Income tax received (paid)	(16,408)	50,246
<b>Net cash flows from (used in) operating activities</b>	<u>2,104,192</u>	<u>(166,419)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets measured at fair value through profit or loss	(2,300,000)	-
Proceeds from disposal of financial assets measured at fair value through profit or loss	450,000	419,567
Acquisition of property, plant and equipment	(435,789)	(297,637)
Proceeds from disposal of property, plant and equipment	6,581	5,313
Decrease (increase) in other financial assets — non-current	515,445	358,613
Increase in prepayments for equipment	(3,799)	(361,913)
<b>Net cash flows from (used in) investing activities</b>	<u>(1,767,562)</u>	<u>123,943</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	2,213,980	3,769,572
Decrease in short-term loans	(2,765,959)	(3,741,889)
Payment of lease liabilities	(55,916)	(49,541)
Cash dividends paid	(198,748)	(198,748)
Change in non-controlling interests	-	41
<b>Net cash flows used in financing activities</b>	<u>(806,643)</u>	<u>(220,565)</u>
Effect of exchange rate changes on cash and cash equivalents	12,530	(22,794)
<b>Net decrease in cash and cash equivalents</b>	<u>(457,483)</u>	<u>(285,835)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>3,824,300</u>	<u>4,110,135</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,366,817</u>	<u>3,824,300</u>

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, 2022 and 2021**

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

**(1) Company history**

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 is mainly engaged in the Manufacturing, producing and selling electronic printed circuit boards.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2023.

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

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

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

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(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:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership		Remarks
			December 31, 2022	December 31, 2021	
The Company	VEGA International Enterprise Co., Ltd. (VEGA)	Investment	100.00 %	100.00 %	
The Company	Draco PCB Public Co., Ltd. (Draco)	Production and trading of PCB	99.78 %	99.78 %	(Note)
VEGA International Enterprise Co., Ltd.	Chin-Poon Holdings Cayman Limited (CPCH)	Investment	100.00 %	100.00 %	
Chin-Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd (CPCS)	Production and trading of PCB	100.00 %	100.00 %	

Note: In July 2021, Draco increased its capital by issuing 132,159 thousand shares amounting to \$261,270 thousand (approximately THB 300,000 thousand). The Company contributed \$261,228 thousand in Draco's equity offering and recognized the amount of \$40 thousand as an increase of its capital surplus.

Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

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

(d) Foreign currencies

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.

(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.

(Continued)

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

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 Group 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 Group recognizes loss allowances for expected credit losses (ECL) 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.).

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.

(Continued)



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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group 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 Group 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 Group'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 Group 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) 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.

4) 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.

5) 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.

(Continued)

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

(iii) Derivative financial instruments

The Group 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.

(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.

(Continued)

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

Buildings	8~60 years
Machinery equipment	2~15 years
Other equipment	2~20 years
Leasehold equipment	5~30 years

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

(j) Leases — as a lessee

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

The Group 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 Group'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.

(Continued)

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

The Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(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 its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

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

(l) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group'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.

(Continued)

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

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.

(ii) Defined benefit plans

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

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

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

(Continued)

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

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

(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 reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

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

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

- (i) The Group 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.

(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.

(Continued)



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

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

In preparing these consolidated financial statements, the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

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

(a) Subsequent measurements of inventories

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

(b) Refund liability of sales returns and discounts

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

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 1,444	1,569
Demand deposits	1,539,806	3,224,216
Time deposits	1,058,528	395,418
Checking deposits	<u>767,039</u>	<u>203,097</u>
Cash and cash equivalents per consolidated statements of cash flows	<u><u>\$ 3,366,817</u></u>	<u><u>3,824,300</u></u>

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

(Continued)



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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Current:		
Beneficiary certificates	\$ <u>1,854,274</u>	<u>-</u>
Financial assets held for trading:		
Derivative instruments not used for hedging		
Forward contracts	\$ <u>-</u>	<u>34</u>
Financial liabilities held for trading:		
Forward contracts	\$ <u>(3,821)</u>	<u>-</u>

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

As of December 31, 2022 and 2021, the Consolidated Company did not pledge its financial assets measured at fair value through profit or loss as collateral.

The Consolidated Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2022 and 2021, the Consolidated Company reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

<b>December 31, 2022</b>			
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	USD      2,415 /	USD/THB	2023.05
	THB      83,457		
<b>December 31, 2021</b>			
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	USD      82 /	USD/THB	2022.05
	THB      2,753		

(Continued)

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

During the years ended December 31, 2022 and 2021, the realized exchange gains of \$2,448 thousand and \$972 thousand, respectively, related to mandatorily measured at fair value through profit or loss held on the years then ended, were recognized as other gains and losses by the Group.

(c) Other financial assets

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current:		
Bank's time deposit	\$ 734,345	1,286,487
Segregated foreign exchange deposits	<u>159,985</u>	<u>376,821</u>
Subtotal	<u>894,330</u>	<u>1,663,308</u>
Non-current:		
Bank's time deposit	851,683	738,437
Segregated foreign exchange deposits	120,084	-
Refundable deposits	<u>19,318</u>	<u>19,180</u>
Subtotal	<u>991,085</u>	<u>757,617</u>
Total	<u>\$ 1,885,415</u>	<u>2,420,925</u>

According to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the Company repatriated its offshore funds back to Taiwan at February 17, 2020, and recorded it under other financial assets – current and other financial assets – non-current based on the Company's investment plan schedule.

As of December 31, 2022 and 2021, the Consolidated Company did not pledge its other financial assets as collateral.

(d) Notes receivable and accounts receivable

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Notes receivable	\$ 11,013	4,337
Accounts receivable	3,886,186	4,309,307
Less: loss allowance	<u>20,543</u>	<u>79,476</u>
	<u>\$ 3,876,656</u>	<u>4,234,168</u>

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.

(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 Taiwan were as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,601,725	0.0154%	401
Past due 1~30 days	84,392	0.6808%	575
Past due 31~60 days	45,239	2.7941%	1,264
Past due 61~90 days	11,947	27.7883%	3,320
Past due 91~120 days	699	40.4169%	283
Past due 121 to 180 days	95	57.6457%	55
Past due over 181 days	<u>5,045</u>	100%	<u>5,045</u>
	<u><b>\$ 2,749,142</b></u>		<u><b>10,943</b></u>
		<b>December 31, 2021</b>	
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,893,955	0.0432%	1,253
Past due 1~30 days	115,616	1.6389%	1,895
Past due 31~60 days	15,080	7.8282%	1,180
Past due 61~90 days	841	25.4704%	214
Past due 91~120 days	568	41.0772%	233
Past due 121 to 180 days	194	62.5075%	121
Past due over 181 days	<u>67,553</u>	100%	<u>67,553</u>
	<u><b>\$ 3,093,807</b></u>		<u><b>72,449</b></u>

(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:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 747,531	0.0335%	250
Past due 1~30 days	25,441	1.4428%	367
Past due 31~60 days	13,969	7.4687%	1,043
Past due 61~90 days	11,260	22.7944%	2,567
Past due 91~120 days	-	38.2966%	-
121 to 180 days past due	57	53.5652%	31
More than 181 days past	<u>75</u>	100%	<u>75</u>
	<b>\$ <u>798,333</u></b>		<b><u>4,333</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 766,460	0.0176%	136
Past due 1~30 days	36,033	0.7587%	273
Past due 31~60 days	6,258	3.8197%	239
Past due 61~90 days	2,077	11.4864%	239
Past due 91~120 days	1,193	19.9406%	238
121 to 180 days past due	<u>1,318</u>	34.7338%	<u>458</u>
	<b>\$ <u>813,339</u></b>		<b><u>1,583</u></b>

(Continued)

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

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 273,558	0.0961%	263
Past due 1~30 days	31,654	0.8372%	265
Past due 31~60 days	13,231	1.2017%	159
Past due 61~90 days	17,225	1.9913%	343
Past due 91~120 days	9,846	9.5572%	941
Past due 121~180 days	1,229	25.6306%	315
Past due over 181 days	<u>2,981</u>	100%	<u>2,981</u>
	<b><u>\$ 349,724</u></b>		<b><u>5,267</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 336,562	0.0256%	86
Past due 1~30 days	40,415	0.2054%	83
Past due 31~60 days	10,510	0.2379%	25
Past due 61~90 days	9,147	0.7434%	68
Past due 91~120 days	4,446	5.2857%	235
Past due 121~180 days	2,405	14.8441%	357
Past due over 181 days	<u>3,013</u>	100%	<u>3,013</u>
	<b><u>\$ 406,498</u></b>		<b><u>3,867</u></b>

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

	<b>2022</b>	<b>2021</b>
Balance at beginning of the period	\$ 79,476	72,625
Impairment loss (reversal gain)	(181)	7,395
Amounts written off	(59,105)	-
Translation effect	<u>353</u>	<u>(544)</u>
Balance at end of the period	<b><u>\$ 20,543</u></b>	<b><u>79,476</u></b>

As of December 31, 2022 and 2021, the Consolidated Company had not provided its notes and accounts receivable as collateral or factored them for cash.

(Continued)

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

## (e) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2021</b>
Other receivables	\$ 94,961	138,836
Less: loss allowance	-	-
	<b><u>\$ 94,961</u></b>	<b><u>138,836</u></b>

As of December 31, 2022 and 2021, 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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods	\$ 2,343,292	2,029,774
Work in progress	1,090,230	1,523,599
Raw materials	576,956	703,316
	<b><u>\$ 4,010,478</u></b>	<b><u>4,256,689</u></b>

Due to the decrease in the realizable value of inventories, the Consolidated Company recognized the inventory pricing loss as cost of goods sold. The amounts were as follows:

	<b>2022</b>	<b>2021</b>
Loss on decline in market value of inventory	\$ 3,623	66,131
Income from sale of scrap	(643,844)	(710,844)
Unallocated production overhead	394,000	285,037
Total	<b><u>\$ (246,221)</u></b>	<b><u>(359,676)</u></b>

As of December 31, 2022 and 2021, the Consolidated Company did not pledge its inventories as collateral.

## (g) 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, 2022 and 2021 were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Other equipment</b>	<b>Leasehold improvement</b>	<b>Construction in progress and Equipment to be inspected</b>	<b>Total</b>
Cost:							
Balance at January 1, 2022	\$ 832,115	3,717,893	11,023,641	3,025,172	48,166	579,200	19,226,187
Additions	-	5,982	77,560	36,533	-	209,081	329,156
Disposals	-	-	(144,302)	(26,657)	-	-	(170,959)
Reclassification	-	14,610	422,598	41,737	-	(478,945)	-
Translation effect	5,028	48,650	142,235	36,377	-	7,414	239,704
Balance at December 31, 2022	<b><u>\$ 837,143</u></b>	<b><u>3,787,135</u></b>	<b><u>11,521,732</u></b>	<b><u>3,113,162</u></b>	<b><u>48,166</u></b>	<b><u>316,750</u></b>	<b><u>19,624,088</u></b>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Construction in progress and Equipment to be inspected</u>	<u>Total</u>
Cost:							
Balance at January 1, 2021	\$ 841,237	4,121,031	12,113,296	3,210,709	46,999	4,549	20,337,821
Additions	-	36,291	131,365	38,011	1,167	281,857	488,691
Disposals	-	(412,779)	(1,429,495)	(262,458)	-	-	(2,104,732)
Reclassification	-	6,291	338,646	63,908	-	294,669	703,514
Translation effect	(9,122)	(32,941)	(130,171)	(24,998)	-	(1,875)	(199,107)
Balance at December 31, 2021	<u>\$ 832,115</u>	<u>3,717,893</u>	<u>11,023,641</u>	<u>3,025,172</u>	<u>48,166</u>	<u>579,200</u>	<u>19,226,187</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	\$ -	1,396,812	8,044,569	2,374,706	21,697	-	11,837,784
Depreciation	-	123,554	763,695	178,082	7,004	-	1,072,335
Disposal	-	-	(132,230)	(25,140)	-	-	(157,370)
Reclassification	-	-	(1,661)	1,661	-	-	-
Translation effect	-	24,849	93,814	31,251	-	-	149,914
Balance at December 31, 2022	<u>\$ -</u>	<u>1,545,215</u>	<u>8,768,187</u>	<u>2,560,560</u>	<u>28,701</u>	<u>-</u>	<u>12,902,663</u>
Balance at January 1, 2021	\$ -	1,710,833	8,823,501	2,457,569	14,762	-	13,006,665
Depreciation	-	119,657	721,340	200,624	6,935	-	1,048,556
Disposals	-	(412,780)	(1,421,869)	(259,448)	-	-	(2,094,097)
Reclassification	-	-	289	(289)	-	-	-
Translation effect	-	(20,898)	(78,692)	(23,750)	-	-	(123,340)
Balance at December 31, 2021	<u>\$ -</u>	<u>1,396,812</u>	<u>8,044,569</u>	<u>2,374,706</u>	<u>21,697</u>	<u>-</u>	<u>11,837,784</u>
Carrying amount:							
Balance at December 31, 2022	<u>\$ 837,143</u>	<u>2,241,920</u>	<u>2,753,545</u>	<u>552,602</u>	<u>19,465</u>	<u>316,750</u>	<u>6,721,425</u>
Balance at December 31, 2021	<u>\$ 832,115</u>	<u>2,321,081</u>	<u>2,979,072</u>	<u>650,466</u>	<u>26,469</u>	<u>579,200</u>	<u>7,388,403</u>

(i) Loss and gain on disposal

For the years ended December 31, 2022 and 2021, the Consolidated Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(q).

(ii) Impairment loss

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of the period	\$ 13,133	458,119
Disposals during the period	-	(443,234)
Translation effect	967	(1,752)
Balance at end of the period	<u>\$ 14,100</u>	<u>13,133</u>

On April 28, 2018, a fire broke out at the Company's Pingzhen Plant and caused some damage to the buildings, equipment and inventories, incurring related repairs and compensation costs, estimated at the amount of \$902,744 thousand, of which the amount of \$443,234 thousand was recognized as accumulated impairment losses on property, plant, and equipment.

(Continued)

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

The Company has sought insurance claim for the relevant damages. As the claim involved disaster assessment, the Company recognized the relevant claim settlement income only when it was almost certain that the amounts could be collected.

On July 20, 2021, the Company confirmed with both the insurer and the loss adjuster that the amount of claim settlement was finalized at \$1,093,409 thousand, with the remaining uncollected amount of \$393,409 thousand after deducting accumulated insurance claims of \$700,000 thousand received by the Company during 2018 and 2019. On July 21, 2021, the Company has collected and recognized the income arising from the insurance claim as other gains and losses. Thereafter, the Company derecognized the relevant property, plant and equipment and the accumulated impairment losses.

(iii) Collateral

As of December 31, 2022 and 2021, the Consolidated Company pledged its property, plant and equipment as collateral for short-term loans, please refer to note 8.

(h) 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:

	<u>Use right of land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 55,065	452,632	507,697
Additions	-	50,626	50,626
Reductions	-	(97,830)	(97,830)
Translation effect	<u>866</u>	<u>-</u>	<u>866</u>
Balance at December 31, 2022	<u>\$ 55,931</u>	<u>405,428</u>	<u>461,359</u>
Balance at January 1, 2021	\$ 54,867	456,032	510,899
Additions	-	3,370	3,370
Reductions	-	(6,770)	(6,770)
Translation effect	<u>198</u>	<u>-</u>	<u>198</u>
Balance at December 31, 2021	<u>\$ 55,065</u>	<u>452,632</u>	<u>507,697</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 4,347	152,981	157,328
Depreciation	1,474	57,700	59,174
Reductions	-	(1,311)	(1,311)
Translation effect	<u>67</u>	<u>-</u>	<u>67</u>
Balance at December 31, 2022	<u>\$ 5,888</u>	<u>209,370</u>	<u>215,258</u>

(Continued)



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

	<u>Use right of land</u>	<u>Buildings</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 2,888	99,004	101,892
Depreciation	1,444	53,977	55,421
Translation effect	15	-	15
Balance at December 31, 2021	<u>\$ 4,347</u>	<u>152,981</u>	<u>157,328</u>
Carrying amount:			
Balance at December 31, 2022	<u>\$ 50,043</u>	<u>196,058</u>	<u>246,101</u>
Balance at December 31, 2021	<u>\$ 50,718</u>	<u>299,651</u>	<u>350,369</u>

## (i) Short-term and long-term loans

## (i) Short-term loans

<b>December 31, 2022</b>				
<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>	
Unsecured loans	USD	3.85~5.28	2023	\$ 737,088
Unsecured loans	EUR	1.74~2.53	2023	65,470
Total				<u>\$ 802,558</u>

<b>December 31, 2021</b>				
<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>	
Secured loans	THB	2.10	2022	\$ 108,629
Unsecured loans	USD	0.55~0.70	2022	1,111,692
Unsecured loans	EUR	0.22	2022	62,614
Unsecured loans	THB	2.75~2.90	2022	69,400
Total				<u>\$ 1,352,335</u>

As of December 31, 2022 and 2021, the unused credit facilities of the Consolidated Company's short-term loans amounted to \$5,190,476 thousand and \$4,662,500 thousand, respectively.

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

## (ii) Collateral of loans

As of December 31, 2022 and 2021, the Consolidated Company has mortgaged its assets as collateral of loans, please refer to note 8.

(Continued)

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

## (j) Lease liabilities

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>40,875</u>	<u>52,542</u>
Non-current	\$ <u>170,000</u>	<u>260,234</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>6,527</u>	<u>7,388</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>2,641</u>	<u>-</u>
Expenses relating to short-term leases	\$ <u>2,176</u>	<u>5,076</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>673</u>	<u>4,803</u>

The amounts recognized in the statement of cash flows for the Consolidated Company were as follows:

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>67,933</u>	<u>66,808</u>

## (k) 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:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Present value of the defined benefit obligations	\$ 405,360	405,334
Fair value of plan assets	<u>(502,291)</u>	<u>(470,341)</u>
Net defined benefit asset	\$ <u>(96,931)</u>	<u>(65,007)</u>

As of December 31, 2022 and 2021, the Consolidated Company's net defined benefit assets amounted to \$96,931 thousand and \$65,007 thousand, respectively, deriving from the net defined benefit assets of \$127,150 thousand and \$95,926 thousand, respectively, recorded by the Company, less, the net defined benefit liabilities of \$30,219 thousand and \$30,919 thousand, respectively, under Draco's management.

(Continued)

**CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
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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 \$478,251 thousand and \$24,040 thousand, respectively, as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Consolidated Company's defined benefit obligations for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 405,334	374,442
Current service costs and interest	6,597	6,924
Remeasurements of the net defined benefit liability (asset)		
— Actuarial gains and losses arising from changes in financial assumptions	13,216	49,584
Past service cost and settlement gains	(3,261)	-
Benefits paid	(18,827)	(21,640)
Transaction effect	<u>2,301</u>	<u>(3,976)</u>
Defined benefit obligation at December 31	<u>\$ 405,360</u>	<u>405,334</u>

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

3) Movements in fair value of plan assets

The movements in the fair value of the Consolidated Company's plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 470,341	470,074
Remeasurements of the net defined benefit liability (asset)		
– The return on plan assets (excluding amounts included in the interest during this period)	3,879	4,028
– Actuarial gains and losses arising from changes in financial assumptions	34,017	4,595
Contributions made	12,881	13,284
Benefits paid	(18,827)	(21,640)
Transaction effect	-	-
Fair value of plan assets at December 31	<u>\$ 502,291</u>	<u>470,341</u>

4) Expenses recognized in profit or loss

The Consolidated Company's expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 1,632	1,919
Net interest on the defined benefit liability (asset)	1,086	977
Past service cost and settlement gains	-	-
	<u>\$ 2,718</u>	<u>2,896</u>
	<u>2022</u>	<u>2021</u>
Operating costs	\$ 1,008	268
Selling expenses	1,016	1,798
Administrative expenses	694	830
	<u>\$ 2,718</u>	<u>2,896</u>

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

5) Actuarial assumptions

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.50%~2.30%	0.50%~1.51%
Future salary increases rate	2.50%~5.00%	1.55%~5.00%

The expected contribution to be made by the Consolidated Company to the defined benefit plans for the next annual reporting period is \$12,190 thousand.

The Consolidated Company's weighted average duration of the defined benefit obligation of employee and manager are 15.49 years and 5.01 years, respectively.

6) Sensitivity analysis for actuarial assumption

As of December 31, 2022 and 2021, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	<b>The impact of defined benefit obligation</b>	
	<u>Increase</u>	<u>Decrease</u>
At December 31, 2022		
Discount rate (changes 0.25%)	\$ (11,479)	11,949
Future salary increase rate (changes 0.25%)	11,552	(11,161)
At December 31, 2021		
Discount rate (changes 0.25%)	\$ (12,455)	13,007
Future salary increase rate (changes 0.25%)	12,817	(12,335)

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.

(Continued)

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

(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 \$151,228 thousand and \$143,381 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Annual leave benefit (recorded under other payables)	<u>\$ 41,653</u>	<u>40,257</u>

(l) Income taxes

(i) Income tax expense (benefit)

The amounts of the Consolidated Company's income tax expense (benefit) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 152,284	46,468
Adjustment for prior periods	<u>(24,575)</u>	<u>52,112</u>
Subtotal	<u>127,709</u>	<u>98,580</u>
Deferred tax expense		
Origination and reversal of temporary differences	155,744	7,792
Adjustment for prior years' deferred income tax	<u>(37,008)</u>	<u>16,592</u>
Subtotal	<u>118,736</u>	<u>24,384</u>
Income tax expense from continuing operations	<u>\$ 246,445</u>	<u>122,964</u>

The amounts of the Consolidated Company's income tax expense (benefit) recognized under other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified into profit and loss:		
Remeasurements of defined benefit plan	<u>\$ 4,128</u>	<u>(8,998)</u>

(Continued)

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

Reconciliations of the Consolidated Company's income tax expense (benefit) and income before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	\$ <u>742,683</u>	<u>460,664</u>
Income tax using the Company's domestic tax rate	\$ 148,537	92,133
Effect of tax rates in foreign jurisdiction	60,898	6,257
Underestimated prior years' income tax	(24,575)	52,112
Tax-exempt income	(855)	(697)
Current-year for which no deferred tax asset was recognized	32,103	5,258
Gain from investment using equity method	93,603	-
Adjustment according to tax law	(26,985)	(35,730)
Tax credits utilized	-	(12,961)
Underestimated prior years' deferred income tax	(37,008)	16,592
Others	<u>727</u>	<u>-</u>
Income tax expense	\$ <u>246,445</u>	<u>122,964</u>

(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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The carryforward of unused tax losses	\$ <u>376,597</u>	<u>460,458</u>

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, 2022, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
2018	\$ 216,082	2023
2022	<u>160,515</u>	2027
	\$ <u>376,597</u>	

(Continued)

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory devaluation loss	Loss allowance	Refund liabilities	Loss carryforwards	Others	Total
<b>Balance at January 1, 2022</b>	\$ 6,184	40,508	18,537	148,048	-	5,648	218,925
Recognized in profit or loss	(246)	(6,407)	2,087	5,862	-	(5,488)	(4,192)
Recognized in other comprehensive income	(323)	-	-	-	-	-	(323)
Translation effect	429	837	73	504	-	35	1,878
<b>Balance at December 31, 2022</b>	<b>\$ 6,044</b>	<b>34,938</b>	<b>20,697</b>	<b>154,414</b>	<b>-</b>	<b>195</b>	<b>216,288</b>
<b>Balance at January 1, 2021</b>	\$ 6,576	33,980	18,326	143,515	3,511	2,086	207,994
Recognized in profit or loss	403	7,565	319	4,413	(3,511)	3,665	12,854
Translation effect	(795)	(1,037)	(108)	120	-	(103)	(1,923)
<b>Balance at December 31, 2021</b>	<b>\$ 6,184</b>	<b>40,508</b>	<b>18,537</b>	<b>148,048</b>	<b>-</b>	<b>5,648</b>	<b>218,925</b>

Deferred tax liabilities:

	Gain from investment using equity method	Defined benefit plans	Unrealized interest income	Total
<b>Balance at January 1, 2022</b>	\$ 538,996	19,185	30,266	588,447
Recognized in profit or loss	130,713	2,439	(18,608)	114,544
Recognized in other comprehensive income	-	3,805	-	3,805
Translation effect	-	-	507	507
<b>Balance at December 31, 2022</b>	<b>\$ 669,709</b>	<b>25,429</b>	<b>12,165</b>	<b>707,303</b>
<b>Balance at January 1, 2021</b>	\$ 534,389	25,702	-	560,091
Recognized in profit or loss	4,607	2,481	30,150	37,238
Recognized in other comprehensive income	-	(8,998)	-	(8,998)
Translation effect	-	-	116	116
<b>Balance at December 31, 2021</b>	<b>\$ 538,996</b>	<b>19,185</b>	<b>30,266</b>	<b>588,447</b>

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2020.

(Continued)



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

(m) Share capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
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	10,522	10,522
Non-payment of expired cash dividends from previous years	1,297	858
	<u><u>\$ 1,580,137</u></u>	<u><u>1,579,698</u></u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special earnings reserve

In accordance with the rules issued by the FSC, 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.

(Continued)

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

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.

The appropriations of 2021 and 2020 earnings have been approved by the Company's shareholders in its meetings held on June 24, 2022, and July 30, 2021 respectively. The appropriations and dividends per share were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (NT dollars)</u>	<u>Total Amount</u>	<u>Amount per share (NT dollars)</u>	<u>Total Amount</u>
Dividends distributed to common stockholders:				
Cash	\$ 0.50	<u>198,748</u>	0.50	<u>198,748</u>

On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<u>2022 (Proposed)</u>	
	<u>Amount per share (NT dollars)</u>	<u>Total amount</u>
Dividends distributed to common shareholders:		
Cash	\$ 0.85	<u>337,871</u>

(Continued)

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

## (iv) Other equities (net of tax)

	<b>Foreign exchange differences arising from foreign</b>	<b>Non-controlling interests</b>	<b>Total</b>
Balance at January 1, 2022	\$ (571,745)	(7,633)	(579,378)
Foreign exchange differences arising from foreign operation	266,866	185	267,051
Balance at December 31, 2022	<u>\$ (304,879)</u>	<u>(7,448)</u>	<u>(312,327)</u>
Balance at January 1, 2021	\$ (434,369)	(7,307)	(441,676)
Foreign exchange differences arising from foreign operation	(137,376)	(326)	(137,702)
Balance at December 31, 2021	<u>\$ (571,745)</u>	<u>(7,633)</u>	<u>(579,378)</u>

## (n) Earnings per share

The calculation of the Company's basic and diluted earnings per share for years ended December 31, 2022 and 2021 were as follows:

## (i) Basic EPS

	Unit: thousand shares	
	<b>2022</b>	<b>2021</b>
Net income attributable to common shareholders of the Company	\$ <u>496,591</u>	<u>337,782</u>
Weighted-average number of common shares outstanding	<u>397,495</u>	<u>397,495</u>
Basic EPS (New Taiwan dollars)	\$ <u>1.25</u>	<u>0.85</u>

## (ii) Diluted EPS

	Unit: thousand shares	
	<b>2022</b>	<b>2021</b>
Net income attributable to common shareholders of the Company	\$ <u>496,591</u>	<u>337,782</u>
Weighted-average number of common shares outstanding	397,495	397,495
Influence of potentially dilutive shares— Remuneration to employees	<u>588</u>	<u>254</u>
Weighted-average number of shares outstanding— diluted	<u>398,083</u>	<u>397,749</u>
Diluted EPS (New Taiwan dollars)	\$ <u>1.25</u>	<u>0.85</u>

(Continued)

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

(o) 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, 2022 and 2021 were as follows:

	<b>2022</b>			
	<u>Taiwan</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
Taiwan	\$ 828,267	-	-	828,267
United states	2,981,308	967	68,200	3,050,475
Germany	1,933,546	217,178	93,770	2,244,494
Japan	1,174,074	350,368	-	1,524,442
Hungary	620,653	34,930	-	655,583
China	1,540,633	1,264,794	31,660	2,837,087
Others	<u>4,478,684</u>	<u>723,380</u>	<u>1,271,916</u>	<u>6,473,980</u>
	<u><b>\$ 13,557,165</b></u>	<u><b>2,591,617</b></u>	<u><b>1,465,546</b></u>	<u><b>17,614,328</b></u>

	<b>2021</b>			
	<u>Taiwan</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
Taiwan	\$ 829,556	10,586	-	840,142
United states	2,838,217	8,256	174,162	3,020,635
Germany	1,878,371	191,560	128,167	2,198,098
Japan	1,343,865	159,443	-	1,503,308
Hungary	740,102	45,801	-	785,903
China	1,835,152	1,396,242	17,347	3,248,741
Others	<u>4,530,121</u>	<u>739,138</u>	<u>1,353,194</u>	<u>6,622,453</u>
	<u><b>\$ 13,995,384</b></u>	<u><b>2,551,026</b></u>	<u><b>1,672,870</b></u>	<u><b>18,219,280</b></u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 11,013	4,337	34,747
Account receivable	3,886,186	4,309,307	3,455,653
Less: loss allowance	<u>20,543</u>	<u>79,476</u>	<u>72,625</u>
Total	<u><b>\$ 3,876,656</b></u>	<u><b>4,234,168</b></u>	<u><b>3,417,775</b></u>

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

(Continued)

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Sales return and discounts	<b>\$ 730,050</b>	<b>707,189</b>

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.

(p) 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, 2022 and 2021, the Company accrued and estimated the remuneration to employees amounting to \$15,363 thousand and \$9,304 thousand, respectively, and the remuneration for directors of \$4,680 thousand and \$3,240 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 for each period. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Consolidated Financial Statements for the years ended December 31, 2022 and 2021.

Information related to remuneration to employees and directors resolved by the board of directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(q) Non-operating income and expenses

(i) Interest income

The details of the Consolidated Company's interest income for the years ended December 31, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ 98,731	100,851
Other interest income	41	39
Total Interest income	<b>\$ 98,772</b>	<b>100,890</b>

(Continued)

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

(ii) Other income

The details of the Consolidated Company's other income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Rental income	\$ 1,519	865
Other income—other		
Compensation income	14,847	68,070
Others	<u>135,885</u>	<u>243,620</u>
Subtotal other income—other	<u>150,732</u>	<u>311,690</u>
Total other income	<u><u>\$ 152,251</u></u>	<u><u>312,555</u></u>

(iii) Other gains and losses

The details of the Consolidated Company's other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant and equipment	\$ (7,008)	(5,322)
Gain on lease modification	92	-
Net on foreign exchange gains (losses)	263,952	(113,581)
Gain on financial assets measured at fair value through profit and loss	6,722	2,792
Miscellaneous disbursements	(16,448)	(22,518)
Settlement of insurance claim income	<u>-</u>	<u>393,409</u>
Other gains and losses, net	<u><u>\$ 247,310</u></u>	<u><u>254,780</u></u>

For details on settlement of insurance claim income, please refer to note 6(g) °

(iv) Finance costs

The details of the Consolidated Company's finance costs for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense	<u><u>\$ 28,327</u></u>	<u><u>21,907</u></u>

(Continued)

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

(r) 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 \$11,078,123 thousand and \$10,618,263 thousand as at December 31, 2022 and 2021, respectively.

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the Consolidated Company's counterparties of account receivables transaction mainly locate in the United States, China, and Germany. As of December 31, 2022 and 2021, the balance of accounts receivable from those regions accounted for 48% and 49%, 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.

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Unsecured loans	\$ 802,558	825,332	825,332	-	-	-
Notes payable	639,031	639,031	639,031	-	-	-
Accounts payable	1,999,077	1,999,077	1,999,077	-	-	-
Other payables	1,168,951	1,168,951	1,168,951	-	-	-
Lease liabilities	210,875	224,075	44,960	37,258	112,276	29,581
Other current liabilities	176,151	176,151	176,151	-	-	-
	<u>4,996,643</u>	<u>5,032,617</u>	<u>4,853,502</u>	<u>37,258</u>	<u>112,276</u>	<u>29,581</u>
Derivative financial liabilities						
Hedging forward contracts						
Outflow	3,821	78,048	78,048	-	-	-
Inflow	-	(74,227)	(74,227)	-	-	-
	<u>3,821</u>	<u>3,821</u>	<u>3,821</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,000,464</u>	<u>5,036,438</u>	<u>4,857,323</u>	<u>37,258</u>	<u>112,276</u>	<u>29,581</u>

(Continued)

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

<b>December 31, 2021</b>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities						
Secured loans	\$ 108,629	110,910	110,910	-	-	-
Unsecured loans	1,243,706	1,252,752	1,252,752	-	-	-
Notes payable	817,394	817,394	817,394	-	-	-
Accounts payable	2,535,350	2,535,350	2,535,350	-	-	-
Other payables	1,191,452	1,191,452	1,191,452	-	-	-
Lease liabilities	312,776	335,968	58,755	51,851	135,122	90,240
Long-term loans	275,014	275,014	275,014	-	-	-
	<u>\$ 6,484,321</u>	<u>6,518,840</u>	<u>6,241,627</u>	<u>51,851</u>	<u>135,122</u>	<u>90,240</u>

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 exposed to significant foreign currency risk were as follows:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>
Financial assets:						
Monetary items:						
USD	\$ 130,224	30.7120	3,999,439	184,541	27.6600	5,104,404
JPY	707,940	0.2315	163,888	1,204,623	0.2401	289,230
EUR	6,076	32.7351	198,898	6,820	31.3072	213,515
THB	2,894	0.8894	2,574	2,894	0.8285	2,398
CNY	109,928	4.4053	484,266	144,575	4.3371	627,036
Financial liabilities:						
Monetary items:						
USD	40,979	30.7120	1,258,547	59,619	27.6600	1,649,062
JPY	31,259	0.2315	7,236	26,073	0.2401	6,260
EUR	2,132	32.7351	69,791	2,107	31.3072	65,964
CNY	-	4.4053	-	9,194	4.3371	39,875

(Continued)



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

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, 2022 and 2021, would have increased or decreased the net income before tax by \$35,135 thousand and \$44,754 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 loss, including realized and unrealized, were \$263,952 thousand and \$(113,581) thousand for the years ended December 31, 2022 and 2021, 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 \$18,420 thousand and \$10,680 thousand, respectively, for the years ended December 31, 2022, and 2021. This were mainly due from the Consolidated Company's loans and time deposits on floating rates.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Price of securities at the reporting date	2022		2021	
	Other comprehensive income	Net income	Other comprehensive income	Net income
Increasing 1%	\$ -	18,543	-	-
Decreasing 1%	\$ -	(18,543)	-	-

(Continued)

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

(vi) 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 :

	Carrying amount	December 31, 2022			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss					
Derivative financial assets for hedging	\$ 1,854,274	1,854,274	-	-	1,854,274
Financial assets measured at amortized cost					
Cash and cash equivalents	3,366,817	-	-	-	-
Notes and accounts receivable	3,876,656	-	-	-	-
Other receivables	94,961	-	-	-	-
Other financial assets— current and non- current	1,885,415	-	-	-	-
Subtotal	9,223,849	-	-	-	-
Total	<u>\$ 11,078,123</u>	<u>1,854,274</u>	<u>-</u>	<u>-</u>	<u>1,854,274</u>

(Continued)

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

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
measured at fair value					
through profit or loss					
Derivative financial	\$ 3,821	-	3,821	-	3,821
liabilities for hedging					
Financial liabilities					
measured at amortized					
cost					
Short-term loans	802,558	-	-	-	-
Notes and accounts	2,638,108	-	-	-	-
payable					
Other payables	1,168,951	-	-	-	-
Lease liabilities	210,875	-	-	-	-
Other current liabilities	176,151	-	-	-	-
Subtotal	4,996,643	-	-	-	-
Total	<u>\$ 5,000,464</u>	<u>-</u>	<u>3,821</u>	<u>-</u>	<u>3,821</u>
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured					
at fair value through					
profit or loss					
Derivative financial	\$ 34	-	34	-	34
assets for hedging					
Financial assets measured					
at amortized cost					
Cash and cash	3,824,300	-	-	-	-
equivalents					
Notes and accounts	4,234,168	-	-	-	-
receivable					
Other receivables	138,836	-	-	-	-
Other financial assets—	2,420,925	-	-	-	-
current and non-					
current					
Subtotal	10,618,229	-	-	-	-
Total	<u>\$ 10,618,263</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>34</u>

(Continued)

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

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
measured at amortized cost					
Short-term loans	\$ 1,352,335	-	-	-	-
Notes and accounts payable	3,352,744	-	-	-	-
Other payables	1,191,452	-	-	-	-
Lease liabilities	312,776	-	-	-	-
Other current liabilities	<u>275,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,484,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 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 Consolidated Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

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

4) Transfers from Level 1 financial instrument to Level 2 financial instrument

There was no significant transfer from level 2 financial instrument to level 1 financial instrument for the years ended December 31, 2022 and 2021.

(s) 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.

The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Company's activities. The Consolidated Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Consolidated Company's Board of Directors oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The supervisors are assisted in its oversight role by Internal Audit with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and supervisors.

(Continued)

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Company's receivables from customers and investment 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, fixed income investment and other financial instruments are measured and monitored by the Consolidated Company's finance department and reported to the management by authority. Since those who transact with the Consolidated Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. Hence, there is no significant credit risk.

3) Guarantees

The Consolidated Company's policy allows it to provide financial guarantees to directly and indirectly more than 50% owned subsidiaries. Financial guarantees provided by the Consolidated Company as of December 31, 2022 and 2021, are disclosed in note 13.

(Continued)

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

(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 \$5,190,476 thousand and \$4,662,500 thousand, respectively, as of December 31, 2022 and 2021.

(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**

(t) 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 were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 6,728,204	7,945,106
Less: cash and cash equivalents	3,366,817	3,824,300
Net debt	<b>\$ 3,361,387</b>	<b>4,120,806</b>
Total equity	<b>\$ 15,853,490</b>	<b>15,271,837</b>
Debt-to-capital ratio	<b>21 %</b>	<b>27 %</b>

As of December 31, 2022, there were no changes in the Consolidated Company's approach of capital management.

(u) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2022</b>
			<b>Acquisition of right-of-use assets</b>	<b>Foreign exchange movement</b>	<b>Reduction of right-of-use assets</b>	
Short-term loans	\$ 1,352,335	(551,979)	-	2,202	-	802,558
Lease liabilities	312,776	(55,916)	50,626	-	(96,611)	210,875
Total liabilities from financing activities	<b>\$ 1,665,111</b>	<b>(607,895)</b>	<b>50,626</b>	<b>2,202</b>	<b>(96,611)</b>	<b>1,013,433</b>

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2021</b>
			<b>Acquisition of right-of-use assets</b>	<b>Foreign exchange movement</b>	<b>Reduction of right-of-use assets</b>	
Short-term loans	\$ 1,311,226	27,683	-	13,426	-	1,352,335
Lease liabilities	365,717	(49,541)	3,370	-	(6,770)	312,776
Total liabilities from financing activities	<b>\$ 1,676,943</b>	<b>(21,858)</b>	<b>3,370</b>	<b>13,426</b>	<b>(6,770)</b>	<b>1,665,111</b>

(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:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 56,501	56,165
Post-employment benefits	887	903
Termination benefits	415	455
Other long-term benefits	<u>2</u>	<u>3</u>
	<u>\$ 57,805</u>	<u>57,526</u>

For the years ended December 31, 2022 and 2021, the Consolidated Company provided two and four vehicles, at the costs of \$1,007 thousand and \$2,054 thousand, respectively, for key management personnel.

**(8) Pledged assets**

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

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment			
Land	Short-term bank loans	\$ 29,430	27,414
Buildings	Short-term bank loans	<u>71,980</u>	<u>73,440</u>
		<u>\$ 101,410</u>	<u>100,854</u>

**(9) Commitments and contingencies**

- (a) As of December 31, 2022 and 2021, the Consolidated Company provided guarantee notes, each amounting to \$680,000 thousand, 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 each amounted to \$10,000 thousand for both years.

(Continued)

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

- (b) For expanding the factory, the Consolidated Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was \$29,908 thousand and \$62,748 thousand as of December 31, 2022 and 2021, respectively, of which the Consolidated Company had paid \$22,399 thousand and \$55,668 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.
- (c) 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 former 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 former 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) Losses Due to Major Disasters: None.**

**(11) Subsequent Events**

The appropriation of 2022 earnings for the Company please refer to note 6(m).

**(12) Other**

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

By function	Year ended December 31 2022			Year ended December 31 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	2,863,010	416,749	3,279,759	3,012,384	402,853	3,415,237
Labor and health insurance	245,553	32,404	277,957	253,075	31,458	284,533
Pension	128,098	25,848	153,946	121,368	24,909	146,277
Directors' remuneration	-	14,468	14,468	-	12,833	12,833
Others	191,023	30,185	221,208	216,321	29,087	245,408
Depreciation	1,069,119	62,390	1,131,509	1,046,747	57,230	1,103,977
Amortization	-	-	-	-	-	-

(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 2022:

##### (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		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
0	The Company	Draco PCB Public Co., Ltd	Other receivables - related parties	Yes	257,600	245,696	61,424	3.95-5.55	2	-	operating capital	-	-	-	6,341,243 (Note 2)	6,341,243 (Note 2)
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables - related parties	Yes	966,000	921,360	921,360	1.55-5.55	2	-	operating capital	-	-	-	3,655,112 (Note 1)	3,655,112 (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 parties, 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		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	The Company	Draco PCB Public Co., Ltd	4	3,170,621	640,542	-	-	-	- %	3,963,277	Y	N	N
0	The Company	Chin Poon Holdings Cayman Limited	4	3,170,621	1,070,064	614,240	-	-	3.87 %	3,963,277	Y	N	N
1	Chin-Poon (Changshu) Electronic Co., Ltd	CHIN-POON INDUSTRIAL CO., LTD.	4	1,272,815	89,172	88,106	-	-	1.38 %	1,591,019	N	Y	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, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2022	Remarks
				Number of units	Book value	Holding percentage	Market value		
The Company	Beneficiary Certificate: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	43,332,739	653,059	- %	653,059	1,100,000	
The Company	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	50,903,650	700,699	- %	700,699	700,000	
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	39,301,503	500,516	- %	500,516	500,000	

##### (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
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	Jih Sun Securities Co., Ltd.	-	-	-	73,215,929	1,100,000	29,883,190	450,000	448,627	1,373	43,399,252	653,059
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Taishin Securities Investment Trust Company Limited	-	-	-	50,903,650	700,000	-	-	-	-	50,903,650	700,699
The Company	Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Allianz Global Investors GMBH.	-	-	-	39,301,503	500,000	-	-	-	-	39,301,503	500,516

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## CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated 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\$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.	Investee controlled by the Company	Purchase	4,145,957	46.22 %	Note 1	Note 1	Note 1	(1,067,401)	(43.81) %	
Chin-Poon (Changshu) Electronic Co., Ltd.	The Company	Ultimate parent company of Chin-Poon (Changshu) Electronic Co., Ltd.	(Sale)	(4,145,957)	(61.49) %	Note 1	Note 1	Note 1	1,067,401	58.03 %	
The Company	Draco PCB Public Co., Ltd.	Investee controlled by the Company	Purchase	127,966	1.43 %	Note 1	Note 1	Note 1	(7,305)	(0.30) %	
Draco PCB Public Co., Ltd.	The Company	Ultimate parent company of Draco PCB Public Co., Ltd.	(Sale)	(127,966)	(8.03) %	Note 1	Note 1	Note 1	7,305	2.07 %	

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 of Chin-Poon (Changshu) Electronic Co., Ltd.	1,067,401	4.08	-	-	(As at February 15, 2023)	722,781	-
Chin-Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd.	Parent Company of Chin-Poon (Changshu) Electronic Co., Ltd.	934,029 (Note 2)	-	-	-	(As at February 15, 2023)	12,485	-

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

Note 2: Included principle \$921,360 thousand and other receivables of interest \$12,669 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 (Note 4)
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd.	1	Cost of goods sold	4,145,957	Note 3	23.54 %
0	The Company	Chin-Poon (Changshu) Electronic Co., Ltd.	1	Account payable - related parties	1,067,401	Note 3	4.73 %
1	Chin-Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd.	3	Other payables - related parties	934,029	The rate of interests is determined in accordance with mutual agreement.	4.14 %

Note 1: Company numbering is as follows:

- (1) Parent company - 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents 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.

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## CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2022 (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 2021	Net income of investee (Note 1)	Investment income (losses) (Note 1)	Remarks
				December 31, 2022	December 31, 2021	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 %	7,324,458	131,242,925	345,587	345,587	Subsidiary (Note 2)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	2,306,635	2,306,635	670,618,477	99.78 %	1,194,935	670,618,477	(160,393)	(160,040)	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 %	7,310,223	92,354,035	345,545	345,545	Subsidiary (Note 2)

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

Note 2: The investment income (loss) was based on the financial statements audited by the auditor of the Company.

Note 3: The financial statements were audited by an international accounting firm in cooperation with the R.O.C. accounting firm.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income of investee (Notes 2 and 3)	Direct / indirect investment holding percentage	Maximum investment in 2022 (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	3,685,440	(2)	2,610,520	-	-	2,610,520	319,539	100%	2,610,520	319,539	6,364,076	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 based on the financial statements audited by the auditor of the Company.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7120).

Note 4: The transaction has already been written off in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of 2022	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.	2,610,520	3,839,000	- (Note 1)

Note 1: On November 22, 2021, the Company was certified as an operations center from November 17, 2021 to November 16, 2024 by the Industrial Development Bureau, Ministry of Economic Affairs, with approval letter No. 11020442500. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7120).

(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, 2022, please refer to note 13(a).

(Continued)

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

(d) Major shareholders:

Unit: Shares			
Shareholder's Name	Shareholding	Shares	Percentage
Fubon Insurance Co., Ltd.		25,959,000	6.53 %

**(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:

	2022				
	Taiwan	China	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	\$ 13,557,165	2,591,617	1,465,546	-	17,614,328
Inter-segment revenues	54,136	4,151,400	127,966	(4,333,502)	-
Interest revenue	21,396	78,486	29,984	(31,094)	98,772
<b>Total revenue</b>	<b>\$ 13,632,697</b>	<b>6,821,503</b>	<b>1,623,496</b>	<b>(4,364,596)</b>	<b>17,713,100</b>
Interest expenses	\$ 23,597	30,482	5,765	(31,517)	28,327
Depreciation and amortization	\$ 607,883	409,663	113,963	-	1,131,509
<b>Reportable segment profit or loss</b>	<b>\$ 676,747</b>	<b>230,901</b>	<b>(164,965)</b>	<b>-</b>	<b>742,683</b>

(Continued)

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

	2021				Total
	Taiwan	China	Others	Adjustments or elimination	
Revenue:					
Revenue from external customers	\$ 13,995,384	2,551,026	1,672,870	-	18,219,280
Inter-segment revenues	44,483	4,156,812	133,153	(4,334,448)	-
Interest revenue	16,338	84,235	12,274	(11,957)	100,890
<b>Total revenue</b>	<b>\$ 14,056,205</b>	<b>6,792,073</b>	<b>1,818,297</b>	<b>(4,346,405)</b>	<b>18,320,170</b>
Interest expenses	\$ 15,231	12,276	6,333	(11,933)	21,907
Depreciation and amortization	\$ 602,488	371,864	129,625	-	1,103,977
<b>Reportable segment profit or loss</b>	<b>\$ 569,095</b>	<b>(50,663)</b>	<b>(57,768)</b>	<b>-</b>	<b>460,664</b>

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, 2022 and 2021, inter-segment revenues of \$4,333,502 thousand and \$4,334,448 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.

<b>Geographical information</b>	<b>2022</b>	<b>2021</b>
Revenue from external customers:		
Taiwan	\$ 828,267	840,142
United States	3,050,475	3,020,635
Germany	2,244,494	2,198,098
Japan	1,524,442	1,503,308
Hungary	655,583	785,903
China	2,837,087	3,248,741
Others	6,473,980	6,622,453
<b>Total</b>	<b>\$ 17,614,328</b>	<b>18,219,280</b>

(Continued)

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

<u>Geographical information</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 3,540,007	4,015,846
China	2,801,387	3,059,047
Thailand	<u>629,843</u>	<u>663,879</u>
Total	<u>\$ 6,971,237</u>	<u>7,738,772</u>

Non-current assets include property, plant and equipment, right-of-use assets and prepayments for equipment, 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, 2022 and 2021.



## 6.5 The Parent Company Only Financial Statements of the Most Recent Year with CPA's Audit Report

**CHIN-POON INDUSTRIAL CO., LTD.****PARENT COMPANY ONLY FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

**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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安侯建業聯合會計師事務所  
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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 statements of financial position as of December 31, 2022 and 2021, and the 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 financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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, 2022. 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(q) 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 parent company only 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, 2022 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 13, 2023

#### **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, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>									
11xx <b>Current assets:</b>					21xx <b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 1,686,677	8	3,109,360	15	2100 Short-term loans (notes 6(k) and 9)	\$ 802,558	4	1,099,864	5
1110 Financial assets measured at fair value through profit and loss—current (note 6(b))	1,854,274	8	-	-	2150 Notes payable	639,031	3	817,394	4
1170 Accounts receivable, net (notes 6(d) and (q))	2,738,200	13	3,019,781	14	2170 Accounts payable	722,913	3	1,007,392	5
1180 Accounts receivable—related parties, net (notes 6(d), (q) and 7)	3,812	-	9,448	-	2180 Accounts payable—related parties (note 7)	1,074,706	5	985,013	5
1200 Other receivables (note 6(e))	34,980	-	88,545	-	2200 Other payables (notes 6(m), (r) and 7)	817,349	4	918,220	4
1210 Other receivables—related parties (notes 6(e) and 7)	64,765	-	1,353	-	2230 Current tax liabilities	124,205	1	47,411	-
1220 Current income tax assets	-	-	1,829	-	2280 Current lease liabilities (note 6(l))	40,875	-	52,542	-
130x Inventories (notes 6(f) and 9)	2,507,335	12	2,626,463	12	2399 Other current liabilities (note 6(q))	658,469	3	651,138	3
1410 Prepayments	42,588	-	37,478	-	<b>Total current liabilities</b>	<u>4,880,106</u>	<u>23</u>	<u>5,578,974</u>	<u>26</u>
1476 Other financial assets—current (note 6(c))	159,985	1	376,821	2	25xx <b>Non-Current liabilities:</b>				
1479 Other current assets	41,981	-	54,495	-	2570 Deferred tax liabilities (note 6(n))	695,138	3	558,181	3
<b>Total current assets</b>	<u>9,134,597</u>	<u>42</u>	<u>9,325,573</u>	<u>43</u>	2580 Non-current lease liabilities (note 6(l))	170,000	1	260,234	1
15xx <b>Non-current assets:</b>					<b>Total non-current liabilities</b>	<u>865,138</u>	<u>4</u>	<u>818,415</u>	<u>4</u>
1550 Investments accounted for under equity method (notes 6(g) and (h))	8,519,393	39	8,065,529	37	2xxx <b>Total liabilities</b>	<u>5,745,244</u>	<u>27</u>	<u>6,397,389</u>	<u>30</u>
1600 Property, plant and equipment (notes 6(i), 7 and 9)	3,342,955	15	3,716,195	17	31xx <b>Equity (notes 6(h) and (o)):</b>				
1755 Right-of-use assets (note 6(j))	196,058	1	299,651	1	3110 Common stock	3,974,954	18	3,974,954	18
1840 Deferred tax assets (note 6(n))	148,664	1	157,321	1	3200 Capital surplus	1,580,137	7	1,579,698	7
1915 Prepayments for equipment (note 9)	994	-	-	-	3300 Retained earnings:				
1975 Net defined benefit asset—non-current (note 6(m))	127,150	1	95,926	1	3310 Legal reserve	2,439,494	11	2,409,315	11
1980 Other financial assets—non-current (note 6(c))	128,540	1	8,480	-	3320 Special reserve	571,745	3	434,369	2
<b>Total non-current assets</b>	<u>12,463,754</u>	<u>58</u>	<u>12,343,102</u>	<u>57</u>	3350 Unappropriated earnings	7,591,656	35	7,444,695	35
						<u>10,602,895</u>	<u>49</u>	<u>10,288,379</u>	<u>48</u>
					3400 Other equity:				
					3410 Foreign currency translation differences for foreign operations	(304,879)	(1)	(571,745)	(3)
					3xxx <b>Total equity</b>	<u>15,853,107</u>	<u>73</u>	<u>15,271,286</u>	<u>70</u>
1xxx <b>Total assets</b>	<u>\$ 21,598,351</u>	<u>100</u>	<u>21,668,675</u>	<u>100</u>	2-3xxx <b>Total liabilities and equity</b>	<u>\$ 21,598,351</u>	<u>100</u>	<u>21,668,675</u>	<u>100</u>

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, 2022 and 2021**  
 (All amounts expressed in thousands of New Taiwan dollars)

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(q) and 7)</b>	\$ 13,611,301	100	14,039,867	100
5000 <b>Operating costs (notes 6(f), (m) and 7)</b>	<u>12,764,405</u>	<u>94</u>	<u>13,450,625</u>	<u>96</u>
5900 <b>Gross profit</b>	<u>846,896</u>	<u>6</u>	<u>589,242</u>	<u>4</u>
6000 <b>Operating expenses (notes 6(d), (e), (m), (r) and 7):</b>				
6100 Selling expenses	274,190	2	342,823	3
6200 Administrative expenses	294,760	2	277,691	2
6300 Research and development expenses	62,258	-	57,946	-
6450 Expected credit losses (reversal of expected credit losses)	<u>(3,979)</u>	<u>-</u>	<u>6,335</u>	<u>-</u>
<b>Total operating expenses</b>	<u>627,229</u>	<u>4</u>	<u>684,795</u>	<u>5</u>
6900 <b>Operating income (loss)</b>	<u>219,667</u>	<u>2</u>	<u>(95,553)</u>	<u>(1)</u>
7000 <b>Non-operating income and expenses (notes 6(i), (l), (s) and 7):</b>				
7100 Interest income	21,396	-	16,338	-
7010 Other income	125,952	1	240,584	2
7020 Other gains and losses	219,144	2	276,004	2
7050 Finance costs	(23,597)	-	(15,231)	-
7070 Share of profit from the subsidiaries, the associates and the joint ventures	<u>185,547</u>	<u>1</u>	<u>26,826</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>528,442</u>	<u>4</u>	<u>544,521</u>	<u>4</u>
7900 <b>Income before income tax</b>	748,109	6	448,968	3
7950 <b>Less: Income tax expenses (note 6(n))</b>	<u>251,518</u>	<u>2</u>	<u>111,186</u>	<u>1</u>
<b>Net income</b>	<u>496,591</u>	<u>4</u>	<u>337,782</u>	<u>2</u>
8300 <b>Other comprehensive income (note 6(n)):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans	19,027	-	(44,989)	-
8330 Share of other comprehensive gains of subsidiaries, associates, and joint ventures accounted for under equity method	1,451	-	-	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>3,805</u>	<u>-</u>	<u>(8,998)</u>	<u>-</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>16,673</u>	<u>-</u>	<u>(35,991)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Foreign currency translation differences for foreign operations	266,866	2	(137,376)	(1)
8399 Less: income tax related to items that will be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total items that will be reclassified subsequently to profit or loss</b>	<u>266,866</u>	<u>2</u>	<u>(137,376)</u>	<u>(1)</u>
8300 <b>Other comprehensive income (loss), net of tax</b>	<u>283,539</u>	<u>2</u>	<u>(173,367)</u>	<u>(1)</u>
8500 <b>Total comprehensive income</b>	<u>\$ 780,130</u>	<u>6</u>	<u>164,415</u>	<u>1</u>
<b>Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))</b>				
9750 Basic earnings per share	<u>\$ 1.25</u>		<u>0.85</u>	
9850 Diluted earnings per share	<u>\$ 1.25</u>		<u>0.85</u>	

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, 2022 and 2021**

(All amounts expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Subtotal	Other equity Foreign currency translation differences for foreign operations	Total equity
			Legal reserve	Special reserve	Unappropriated earnings			
<b>Balance at January 1, 2021</b>	\$ 3,974,954	1,579,225	2,404,255	350,229	7,430,852	10,185,336	(434,369)	15,305,146
Appropriation and distribution:								
Legal reserve	-	-	5,060	-	(5,060)	-	-	-
Special reserve	-	-	-	84,140	(84,140)	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	(198,748)
Net income for the year	-	-	-	-	337,782	337,782	-	337,782
Other comprehensive income for the year	-	-	-	-	(35,991)	(35,991)	(137,376)	(173,367)
Total comprehensive income for the year	-	-	-	-	301,791	301,791	(137,376)	164,415
Changes in the ownership interests in subsidiaries	-	40	-	-	-	-	-	40
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	433	-	-	-	-	-	433
<b>Balance at December 31, 2021</b>	3,974,954	1,579,698	2,409,315	434,369	7,444,695	10,288,379	(571,745)	15,271,286
Appropriation and distribution:								
Legal reserve	-	-	30,179	-	(30,179)	-	-	-
Special reserve	-	-	-	137,376	(137,376)	-	-	-
Cash dividends	-	-	-	-	(198,748)	(198,748)	-	(198,748)
Net income for the year	-	-	-	-	496,591	496,591	-	496,591
Other comprehensive income for the year	-	-	-	-	16,673	16,673	266,866	283,539
Total comprehensive income for the year	-	-	-	-	513,264	513,264	266,866	780,130
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	439	-	-	-	-	-	439
<b>Balance at December 31, 2022</b>	\$ <u>3,974,954</u>	<u>1,580,137</u>	<u>2,439,494</u>	<u>571,745</u>	<u>7,591,656</u>	<u>10,602,895</u>	<u>(304,879)</u>	<u>15,853,107</u>

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, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	2022	2021
<b>Cash flows from operating activities:</b>		
Income before tax	\$ 748,109	448,968
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit and loss</b>		
Depreciation expenses	607,884	602,488
Expected credit losses (reversal of expected credit losses)	(3,979)	6,335
Net gains on financial assets measured at fair value through profit or loss	(4,274)	(378)
Interest expense	23,597	15,231
Interest income	(21,396)	(16,338)
Share of profits of subsidiaries, associates and joint ventures accounts for under equity method	(185,547)	(26,826)
Losses on disposal of property, plant and equipment	1,288	1,353
Unrealized losses (gains) on foreign exchange	(7,789)	15,220
Gain on lease modification	(92)	-
Total adjustments to reconcile profit and loss	<u>409,692</u>	<u>597,085</u>
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Notes receivable	-	7,735
Accounts receivable	279,898	(612,057)
Accounts receivable—related parties	5,636	4,196
Other receivables	53,632	(17,591)
Other receivables—related parties	(63,412)	820
Inventories	119,128	(791,863)
Prepayments	(5,110)	(2,672)
Other current assets	12,514	25,188
Total net changes in operating assets	<u>402,286</u>	<u>(1,386,244)</u>
Net changes in operating liabilities:		
Notes payable	(178,363)	331,700
Accounts payable	(282,540)	42,884
Accounts payable—related parties	100,341	244,460
Other payable	(21,336)	(38,038)
Other current liabilities	(16,923)	(20,979)
Net defined benefit liability	(12,197)	(12,405)
Total net changes in operating liabilities	<u>(411,018)</u>	<u>547,622</u>
Total net changes in operating assets and liabilities	<u>(8,732)</u>	<u>(838,622)</u>
Total adjustments	<u>400,960</u>	<u>(241,537)</u>
Cash inflow generated from operations	1,149,069	207,431
Interest income received	21,329	16,150
Interest paid	(18,601)	(16,156)
Income tax received (paid)	<u>(31,086)</u>	<u>47,824</u>
<b>Net cash flows from operating activities</b>	<u>1,120,711</u>	<u>255,249</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets measured at fair value through profit or loss	(2,300,000)	-
Proceeds from disposal of financial assets measured at fair value through profit or loss	450,000	201,051
Acquisition of investments accounted for under equity method	-	(261,228)
Acquisition of property, plant and equipment	(266,167)	(104,066)
Proceeds from disposal of property, plant and equipment	2,965	831
Decrease in other financial assets—non-current	118,265	227,677
Increase in prepayments for equipment	(994)	(77,613)
<b>Net cash flows used in investing activities</b>	<u>(1,995,931)</u>	<u>(13,348)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,901,671	3,030,178
Decrease in short-term loans	(2,194,470)	(3,083,220)
Payment of lease liabilities	(55,916)	(49,541)
Cash dividends paid	(198,748)	(198,748)
<b>Net cash flows used in financing activities</b>	<u>(547,463)</u>	<u>(301,331)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,422,683)</u>	<u>(59,430)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>3,109,360</u>	<u>3,168,790</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,686,677</u>	<u>3,109,360</u>

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**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

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 is mainly engaged in the Manufacturing, producing and selling electronic printed circuit boards.

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

These parent company only financial statements were authorized for issue by the Board of Directors on March 13, 2023.

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

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

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

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies**

The significant accounting policies applied in the preparation of 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.

- (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 currencies

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 non-current 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.

(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 (ECL) 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) Classification of debt or equity

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

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) 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.

(Continued)



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

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.

(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.

(Continued)

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

(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.

(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.

Buildings	8~60 years
Machinery equipment	2~10 years
Other equipment	2~20 years
Leasehold equipment	5~30 years

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

(Continued)

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

(j) Leases — as a lessee

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

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.

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.

(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 its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

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

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.

(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)

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

(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.

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

(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 reverse, 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.

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

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**

In preparing these parent company only financial statements, the management has made 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.**  
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(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) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 890	1,047
Demand deposits	1,099,188	2,713,586
Time deposits	585,381	393,762
Checking deposits	<u>1,218</u>	<u>965</u>
Cash and cash equivalents per statements of cash flows	<b><u>\$ 1,686,677</u></b>	<b><u>3,109,360</u></b>

Please refer to note 6(t) 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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Current:		
Beneficiary certification	<b><u>\$ 1,854,274</u></b>	<u>-</u>

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

As of December 31, 2022, 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.**  
**Notes to the Parent Company Only Financial Statements**

## (c) Other financial assets

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current:		
Segregated foreign exchange deposits	\$ <u>159,985</u>	<u>376,821</u>
Non-current:		
Segregated foreign exchange deposits	120,084	-
Refundable deposits	<u>8,456</u>	<u>8,480</u>
Subtotal	<u>128,540</u>	<u>8,480</u>
Total	<u>\$ <b>288,525</b></u>	<u><b>385,301</b></u>

According to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the Company repatriated its offshore funds back to Taiwan at February 17, 2020, and recorded it under other financial assets— current and other financial assets— non-current based on the Company's investment plan schedule.

As of December 31, 2022 and 2021, the Company did not pledge its other financial assets as collateral.

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accounts receivable	\$ 2,749,142	3,093,807
Accounts receivable— related parties	3,812	9,448
Less: loss allowance	<u>10,942</u>	<u>74,026</u>
	<u>\$ <b>2,742,012</b></u>	<u><b>3,029,229</b></u>

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.

(Continued)

**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:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,601,725	0.0154%	401
Past due 1~30 days	84,392	0.6808%	574
Past due 31~60 days	45,239	2.7941%	1,264
Past due 61~90 days	11,947	27.7883%	3,320
Past due 91~120 days	699	40.4169%	283
Past due 121 to 180 days	95	57.6457%	55
Past due over 180 days	<u>5,045</u>	100%	<u>5,045</u>
	<u><b>\$ 2,749,142</b></u>		<u><b>10,942</b></u>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not past due	\$ 2,893,955	0.0432%	1,253
Past due 1~30 days	115,616	1.6389%	1,895
Past due 31~60 days	15,080	7.8282%	1,180
Past due 61~90 days	841	25.4704%	214
Past due 91~120 days	568	41.0772%	233
Past due 121 to 180 days	194	62.5075%	121
Past due over 180 days	<u>67,553</u>	100%	<u>67,553</u>
	<u><b>\$ 3,093,807</b></u>		<u><b>72,449</b></u>

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

	<b>2022</b>	<b>2021</b>
Balance at beginning of the period	\$ 74,026	67,691
Impairment loss (reversal gain)	(3,979)	6,335
Amounts written off	<u>(59,105)</u>	<u>-</u>
Balance at end of the period	<u><b>\$ 10,942</b></u>	<u><b>74,026</b></u>

As of December 31, 2022 and 2021, the Company had not provided its notes and accounts receivable (related parties included) as collateral or factored them for cash.

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

## (e) Other receivables (related parties included)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	\$ 34,980	88,545
Other receivables—related parties	64,765	1,353
Less: loss allowance	<u>-</u>	<u>-</u>
	<b><u>\$ 99,745</u></b>	<b><u>89,898</u></b>

The movement in the loss allowance for impairment with respect to other receivables was as follows:

	<b>2022</b>	<b>2021</b>
Balance at end of the period (as balance at beginning of the period)	<u>\$ -</u>	<u>-</u>

As of December 31, 2022 and 2021, 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(t).

## (f) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods	\$ 1,662,102	1,524,380
Work in progress	613,592	815,307
Raw materials	<u>231,641</u>	<u>286,776</u>
	<b><u>\$ 2,507,335</u></b>	<b><u>2,626,463</u></b>

Due to the decrease in the realizable value of inventories, the Company recognized the inventory pricing loss as cost of goods sold. The amounts were as follows:

	<b>2022</b>	<b>2021</b>
Loss on decline in market value of inventory	\$ 7,039	46,042
Income from sale of scrap	(286,510)	(357,584)
Unallocated production overhead	<u>130,201</u>	<u>98,909</u>
Total	<b><u>\$ (149,270)</u></b>	<b><u>(212,633)</u></b>

As of December 31, 2022 and 2021, the Company did not pledge its inventories as collateral.

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

(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, 2022	December 31, 2021
Subsidiaries	<u>\$ 8,519,393</u>	<u>8,065,529</u>

(i) Subsidiaries

Please refer to the consolidated financial statements of 2022.

ii) Collateral

As of December 31, 2022 and 2021, the Company did not pledge any collateral on investments accounted for under the equity method.

(h) Changes in subsidiaries' equity

In July 2021, Draco PCB Public Co., Ltd. ("Draco") increased its capital by issuing 132,159 thousand shares amounting to \$261,270 thousand (approximately THB300,000 thousand). The Company contributed \$261,228 thousand in Draco's equity offering and increasing its ownership from 99.73% to 99.78%. For the year ended December 31, 2021, the Company recognized the amount of \$40 thousand as an increase of its capital surplus.

(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, 2022 and 2021 were as follows:

	Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress and Equipment to be inspected	Total
Cost:							
Balance at January 1, 2022	\$ 718,069	1,701,781	6,152,450	1,548,579	48,166	212,749	10,381,794
Additions	-	5,982	67,625	26,091	-	81,499	181,197
Disposals	-	-	(61,002)	(8,347)	-	-	(69,349)
Reclassification	-	14,610	143,673	15,467	-	(173,750)	-
Balance at December 31, 2022	<u>\$ 718,069</u>	<u>1,722,373</u>	<u>6,302,746</u>	<u>1,581,790</u>	<u>48,166</u>	<u>120,498</u>	<u>10,493,642</u>
Balance at January 1, 2021	\$ 718,069	2,086,171	7,391,914	1,735,814	46,999	4,320	11,983,287
Additions	-	23,494	60,019	33,915	1,167	136,499	255,094
Disposals	-	(412,779)	(1,375,561)	(250,426)	-	-	(2,038,766)
Reclassification	-	4,895	76,078	29,276	-	71,930	182,179
Balance at December 31, 2021	<u>\$ 718,069</u>	<u>1,701,781</u>	<u>6,152,450</u>	<u>1,548,579</u>	<u>48,166</u>	<u>212,749</u>	<u>10,381,794</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	\$ -	502,357	4,960,598	1,180,947	21,697	-	6,665,599
Depreciation	-	34,876	401,139	107,165	7,004	-	550,184
Disposals	-	-	(57,052)	(8,044)	-	-	(65,096)
Balance at December 31, 2022	<u>\$ -</u>	<u>537,233</u>	<u>5,304,685</u>	<u>1,280,068</u>	<u>28,701</u>	<u>-</u>	<u>7,150,687</u>

(Continued)

**CHIN-POON INDUSTRIAL CO., LTD.**  
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Construction in progress and Equipment to be inspected</u>	<u>Total</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2021	\$ -	882,361	5,944,965	1,311,582	14,762	-	8,153,670
Depreciation	-	32,775	389,364	119,437	6,935	-	548,511
Disposals	-	(412,779)	(1,373,731)	(250,072)	-	-	(2,036,582)
Balance at December 31, 2021	<u>\$ -</u>	<u>502,357</u>	<u>4,960,598</u>	<u>1,180,947</u>	<u>21,697</u>	<u>-</u>	<u>6,665,599</u>
Carrying amount:							
Balance at December 31, 2022	<u>\$ 718,069</u>	<u>1,185,140</u>	<u>998,061</u>	<u>301,722</u>	<u>19,465</u>	<u>120,498</u>	<u>3,342,955</u>
Balance at December 31, 2021	<u>\$ 718,069</u>	<u>1,199,424</u>	<u>1,191,852</u>	<u>367,632</u>	<u>26,469</u>	<u>212,749</u>	<u>3,716,195</u>

(i) Loss and gain on disposal

For the years ended December 31, 2022 and 2021, the Company recognized loss and gain on disposal of property, plant and equipment, please refer to note 6(s).

(ii) Impairment loss

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of the period	\$ -	443,234
Disposals during the period	-	(443,234)
Balance at end of the period	<u>\$ -</u>	<u>-</u>

On April 28, 2018, a fire broke out at the Company's Pingzhen Plant and caused some damage to the buildings, equipment and inventories, incurring related repairs and compensation costs, estimated at the amount of \$902,744 thousand, of which the amount of \$443,234 thousand was recognized as accumulated impairment losses on property, plant, and equipment.

The Company has sought insurance claim for the relevant damages. As the claim involved disaster assessment, the Company recognized the relevant claim settlement income only when it was almost certain that the amounts could be collected.

On July 20, 2021, the Company confirmed with both the insurer and the loss adjuster that the amount of claim settlement was finalized at \$1,093,409 thousand, with the remaining uncollected amount of \$393,409 thousand after deducting accumulated insurance claims of \$700,000 thousand received by the Company during 2018 and 2019. On July 21, 2021, the Company has collected and recognized the income arising from the insurance claim as other gains and losses. Thereafter, the Company derecognized the relevant property, plant and equipment and the accumulated impairment losses.

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

## (iii) Collateral

As of December 31, 2022 and 2021, the Company did not pledge its property, plant and equipment as collateral.

## (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:

	<b>Buildings</b>
Cost:	
Balance at January 1, 2022	\$ 452,632
Additions	50,626
Reductions	(97,830)
Balance at December 31, 2022	<b><u>\$ 405,428</u></b>
Balance at January 1, 2021	\$ 456,032
Additions	3,370
Reductions	(6,770)
Balance at December 31, 2021	<b><u>\$ 452,632</u></b>
Accumulated depreciation:	
Balance at January 1, 2022	\$ 152,981
Depreciation	57,700
Reductions	(1,311)
Balance at December 31, 2022	<b><u>\$ 209,370</u></b>
Balance at January 1, 2021	\$ 99,004
Depreciation	53,977
Balance at December 31, 2021	<b><u>\$ 152,981</u></b>
Carrying amount:	
Balance at December 31, 2022	<b><u>\$ 196,058</u></b>
Balance at December 31, 2021	<b><u>\$ 299,651</u></b>

(Continued)

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

## (k) Short-term loans

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

<b>December 31, 2022</b>			
<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	USD	3.85~5.28	\$ 737,088
Unsecured loans	EUR	1.74~2.53	<u>65,470</u>
Total			<u><u>\$ 802,558</u></u>
<b>December 31, 2021</b>			
<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	USD	0.60~0.698	\$ 1,037,250
Unsecured loans	EUR	0.22	<u>62,614</u>
Total			<u><u>\$ 1,099,864</u></u>

As of December 31, 2022 and 2021, the unused credit facilities of the Company's short-term loans amounted to \$2,235,053 thousand and \$1,695,510 thousand, respectively.

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

## (ii) Collateral of loans

As of December 31, 2022 and 2021, 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 follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 40,875</u>	<u>52,542</u>
Non-current	<u>\$ 170,000</u>	<u>260,234</u>

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

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>6,527</u>	<u>7,388</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>2,641</u>	<u>-</u>
Expenses relating to short-term leases	\$ <u>1,335</u>	<u>4,033</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>97</u>	<u>4,014</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>66,516</u>	<u>64,976</u>

(m) 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ 375,141	374,415
Fair value of plan assets	<u>(502,291)</u>	<u>(470,341)</u>
Net defined benefit asset	\$ <u>(127,150)</u>	<u>(95,926)</u>

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 \$478,251 thousand and \$24,040 thousand, respectively, as of December 31, 2022. 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.**  
**Notes to the Parent Company Only Financial Statements**

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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 374,415	341,564
Current service costs and interest	3,741	3,782
Remeasurements of the net defined benefit asset		
– Actuarial gains and losses arising from changes in financial assumptions	14,990	49,584
Benefits paid	<u>(18,005)</u>	<u>(20,515)</u>
Defined benefit obligation at December 31	<u>\$ 375,141</u>	<u>374,415</u>

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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 470,341	470,074
Remeasurements of the net defined benefit asset		
– The return on plan assets (excluding amounts included in the interest during this period)	3,467	3,465
– Actuarial gains and losses arising from changes in financial assumptions	34,017	4,595
Contributions made	12,471	12,722
Benefits paid	<u>(18,005)</u>	<u>(20,515)</u>
Fair value of plan assets at December 31	<u>\$ 502,291</u>	<u>470,341</u>

4) Expenses recognized in profit or loss

The Company's expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 1,027	1,313
Net interest on the defined benefit asset	<u>(753)</u>	<u>(996)</u>
Administrative expenses	<u>\$ 274</u>	<u>317</u>

(Continued)

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

5) Actuarial assumptions

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.50%~2.00%	0.50%~0.75%
Future salary increases rate	2.50 %	1.55 %

The expected contribution to be made by the Company to the defined benefit plans for the next annual reporting period is \$12,190 thousand.

The Company's weighted average duration of the defined benefit obligation of employee and manager are 15.48 years and 5.01 years, respectively.

6) Sensitivity analysis for actuarial assumption

As of December 31, 2022 and 2021, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	<b>The impact of defined benefit obligation</b>	
	<u>Increase</u>	<u>Decrease</u>
At December 31, 2022		
Discount rate (changes 0.25%)	\$ (10,982)	11,416
Future salary increase rate (changes 0.25%)	11,139	(10,772)
At December 31, 2021		
Discount rate (changes 0.25%)	\$ (11,855)	12,355
Future salary increase rate (changes 0.25%)	12,032	(11,609)

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.

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

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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(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 \$74,974 thousand and \$76,878 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

	December 31, 2022	December 31, 2021
Annual leave benefit (recorded under other payables)	\$ <u>35,873</u>	<u>34,567</u>

(n) Income taxes

(i) Income tax expense (benefit)

The amounts of the Company's income tax expense (benefit) for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Current tax expense		
Current period	\$ 126,268	49,145
Adjustment for prior periods	<u>(16,559)</u>	<u>58,443</u>
	<u>109,709</u>	<u>107,588</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	141,809	3,514
Adjustment for prior years' deferred income tax	<u>-</u>	<u>84</u>
	<u>141,809</u>	<u>3,598</u>
Income tax expense (benefit) from continuing operations	\$ <u>251,518</u>	<u>111,186</u>

The amounts of the Company's income tax expense recognized under other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Items that may not be reclassified into profit and loss:		
Remeasurements of defined benefit plan	\$ <u>3,805</u>	<u>(8,998)</u>

(Continued)

**CHIN-POON INDUSTRIAL CO., LTD.**  
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Reconciliations of the Company's income tax expense (benefit) and income (loss) before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income (loss) before tax	\$ <u>748,109</u>	<u>448,968</u>
Income tax using the Company's domestic tax rate	\$ 149,622	89,794
Underestimated (overestimated) prior years' income tax	(16,559)	58,443
Gain on valuation of financial assets at fair value through profit or loss	(855)	(76)
Gain (loss) from investment using equity method	93,603	(759)
Underestimated prior years' deferred income tax	-	84
Adjustments according to tax law	<u>25,707</u>	<u>(36,300)</u>
Income tax expense	\$ <u>251,518</u>	<u>111,186</u>

(ii) Deferred tax assets and liabilities

Changes in the amount of recognized deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax assets:

	<u>Allowance for inventory devaluation loss</u>	<u>Loss allowance</u>	<u>Refund liabilities</u>	<u>Unrealized exchange loss</u>	<u>Loss carryforwards</u>	<u>Total</u>
Balance at January 1, 2022	\$ 19,950	17,368	114,984	5,019	-	157,321
Recognized in profit or loss	(2,766)	1,958	(2,608)	(5,241)	-	(8,657)
Balance at December 31, 2022	\$ <u>17,184</u>	<u>19,326</u>	<u>112,376</u>	<u>(222)</u>	<u>-</u>	<u>148,664</u>
Balance at January 1, 2021	\$ 14,434	17,349	117,451	1,086	3,511	153,831
Recognized in profit or loss	5,516	19	(2,467)	3,933	(3,511)	3,490
Balance at December 31, 2021	\$ <u>19,950</u>	<u>17,368</u>	<u>114,984</u>	<u>5,019</u>	<u>-</u>	<u>157,321</u>

Deferred tax liabilities:

	<u>Gain from investment using equity method</u>	<u>Defined benefit plans</u>	<u>Total</u>
Balance at January 1, 2022	\$ 538,996	19,185	558,181
Recognized in profit or loss	130,713	2,439	133,152
Recognized in other comprehensive income	-	3,805	3,805
Balance at December 31, 2022	\$ <u>669,709</u>	<u>25,429</u>	<u>695,138</u>
Balance at January 1, 2021	\$ 534,389	25,702	560,091
Recognized in profit or loss	4,607	2,481	7,088
Recognized in other comprehensive income	-	(8,998)	(8,998)
Balance at December 31, 2021	\$ <u>538,996</u>	<u>19,185</u>	<u>558,181</u>

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

(iii) Examination and approval

The ROC income tax authorities have examined the Company's income tax returns through 2020.

(o) Share capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
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	10,522	10,522
Non-payment of expired cash dividends from previous years	1,297	858
	<u><u>\$ 1,580,137</u></u>	<u><u>1,579,698</u></u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

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.

(Continued)

**CHIN-POON INDUSTRIAL CO., LTD.**  
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2) Special earnings reserve

In accordance with the rules issued by the FSC, 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.

The appropriations of 2021 and 2020 earnings have been approved by the Company's shareholders in its meetings held on June 24, 2022, and July 30, 2021, respectively. The appropriations and dividends per share were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (NT dollars)</u>	<u>Total Amount</u>	<u>Amount per share (NT dollars)</u>	<u>Total Amount</u>
Dividends distributed to common stockholders:				
Cash	\$ 0.50	<u>198,748</u>	0.50	<u>198,748</u>

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<b>2022 (Proposed)</b>	
	<b>Amount per share (NT dollars)</b>	<b>Total amount</b>
Dividends distributed to common shareholders:		
Cash	\$ 0.85	<b>337,871</b>

(p) Earnings per share

The calculation of the Company's basic and diluted earnings per share for the years ended December 31, 2022 and 2021 were as follows:

(i) Basic EPS

	Unit: thousand shares	
	<b>2022</b>	<b>2021</b>
Net income attributable to common shareholders of the Company	<b>\$ 496,591</b>	<b>337,782</b>
Weighted-average number of common shares outstanding	<b>397,495</b>	<b>397,495</b>
Basic EPS (New Taiwan dollars)	<b>\$ 1.25</b>	<b>0.85</b>

(ii) Diluted EPS

	Unit: thousand shares	
	<b>2022</b>	<b>2021</b>
Net income attributable to common shareholders of the Company	<b>\$ 496,591</b>	<b>337,782</b>
Weighted-average number of common shares outstanding	397,495	397,495
Influence of potentially dilutive shares—		
Remuneration to employees	588	254
Weighted-average number of shares outstanding—diluted	<b>398,083</b>	<b>397,749</b>
Diluted EPS (New Taiwan dollars)	<b>\$ 1.25</b>	<b>0.85</b>

(Continued)

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

(q) 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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Taiwan	\$ 828,267	829,556
United States	2,981,308	2,838,217
Germany	1,933,546	1,878,371
Japan	1,174,074	1,343,865
Hungary	620,653	740,102
China	1,577,511	1,867,998
Others	4,495,942	4,541,758
	<u>\$ 13,611,301</u>	<u>14,039,867</u>

(ii) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ -	-	7,735
Accounts receivable	2,749,142	3,093,807	2,457,999
Accounts receivable—related parties	3,812	9,448	13,644
Less: loss allowance	10,942	74,026	67,691
Total	<u>\$ 2,742,012</u>	<u>3,029,229</u>	<u>2,411,687</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sales return and discount	<u>\$ 561,883</u>	<u>574,922</u>

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.

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(r) 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, 2022 and 2021, the Company accrued and estimated its remuneration to employees amounting to \$15,363 thousand and \$9,304 thousand, respectively, and the remuneration for directors of \$4,680 thousand and \$3,240 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 for each period. If there are subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Financial Statements for the years ended December 31, 2022 and 2021.

Information related to remuneration to employees and directors resolved by the board of directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(s) Non-operating income and expenses

(i) Interest income

The details of the Company's interest income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 20,015	16,307
Other interest income	<u>1,381</u>	<u>31</u>
Total Interest income	<u>\$ 21,396</u>	<u>16,338</u>

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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## (ii) Other income

The details of the Company's other income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Rental income	\$ <u>853</u>	<u>865</u>
Other income — other		
Compensation income	14,841	43,650
Others	<u>110,258</u>	<u>196,069</u>
Subtotal other income — other	<u>125,099</u>	<u>239,719</u>
Total Other income	<u>\$ <u>125,952</u></u>	<u><u>240,584</u></u>

## (iii) Other gains and losses

The details of the Company's other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant and equipment	\$ (1,288)	(1,353)
Gain on lease modification	92	-
Net on foreign exchange gains (losses)	228,012	(95,820)
Gain on financial assets measured at fair value through profit and loss	4,274	378
Miscellaneous disbursements	(11,946)	(20,610)
Settlement of insurance claim income	<u>-</u>	<u>393,409</u>
Other gains and losses, net	<u>\$ <u>219,144</u></u>	<u><u>276,004</u></u>

For details on settlement of insurance claim income, please refer to note 6(i).

## (iv) Finance costs

The details of the Company's finance costs for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ <u>23,597</u></u>	<u><u>15,231</u></u>

(Continued)

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

(t) 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 \$6,671,233 thousand and \$6,613,788 thousand as at December 31, 2022 and 2021, respectively.

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the Company's counterparties of accounts receivable transaction mainly locate in the United States, China, and Germany. As of December 31, 2022 and 2021, the balance of accounts receivable from those regions accounted for 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, 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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Unsecured loans	\$ 802,558	813,963	813,963	-	-	-
Notes payable	639,031	639,031	639,031	-	-	-
Accounts payable (related parties included)	1,797,619	1,797,619	1,797,619	-	-	-
Other payables	817,349	817,349	817,349	-	-	-
Lease liabilities	210,875	224,075	44,960	37,258	112,276	29,581
	<u>\$ 4,267,432</u>	<u>4,292,037</u>	<u>4,112,922</u>	<u>37,258</u>	<u>112,276</u>	<u>29,581</u>

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Unsecured loans	\$ 1,099,864	1,102,424	1,102,424	-	-	-
Notes payable	817,394	817,394	817,394	-	-	-
Accounts payable (related parties included)	1,992,405	1,992,405	1,992,405	-	-	-
Other payables	918,220	918,220	918,220	-	-	-
Lease liabilities	<u>312,776</u>	<u>335,968</u>	<u>58,755</u>	<u>51,851</u>	<u>135,122</u>	<u>90,240</u>
	<u>\$ 5,140,659</u>	<u>5,166,411</u>	<u>4,889,198</u>	<u>51,851</u>	<u>135,122</u>	<u>90,240</u>

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:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>
Financial assets:						
Monetary items:						
USD	\$ 101,825	30.7120	3,127,253	149,649	27.6600	4,139,293
JPY	702,993	0.2315	162,743	1,202,426	0.2401	288,702
EUR	4,805	32.7351	157,277	5,762	31.3072	180,388
THB	2,894	0.8894	2,574	2,894	0.8285	2,398
CNY	110,050	4.4053	484,802	146,024	4.3371	633,322
Financial liabilities:						
Monetary items:						
USD	\$ 66,530	30.7120	2,043,263	80,230	27.6600	2,219,160
JPY	10,308	0.2315	2,386	5,880	0.2401	1,412
EUR	3,102	32.7351	101,553	4,821	31.3072	150,938
CNY	3,800	4.4053	16,742	10,140	4.3371	43,978

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

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, other financial assets, loans, and accounts and other payables that were denominated in foreign currency. A weakening or strengthening 1% appreciation or depreciation of the NTD against the USD, JPY, EUR, THB and CNY as of December 31, 2022 and 2021, would have increased or decreased the net income before tax by \$17,707 thousand and \$28,286 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 gains (losses), including realized and unrealized, were \$228,012 thousand and \$(95,820) thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) Other market price risk

For December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Price of securities at the reporting date	2022		2021	
	Other comprehensive	Net income	Other comprehensive	Net income
Increasing 1%	\$ -	18,543	-	-
Decreasing 1%	\$ -	(18,543)	-	-

(v) 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 \$2,172 thousand and \$7,061 thousand, for the years ended December 31, 2022 and 2021, respectively. This was mainly due from the Company's loans and time deposits on floating rates.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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(vi) 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, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss					
Derivative financial assets for hedging	\$ 1,854,274	1,854,274	-	-	1,854,274
Financial assets measured at amortized cost					
Cash and cash equivalents	1,686,677	-	-	-	-
Notes and accounts receivable (related parties included)	2,742,012	-	-	-	-
Other receivables (related parties included)	99,745	-	-	-	-
Other financial assets — current and non- current	288,525	-	-	-	-
Subtotal	<u>4,816,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,671,233</u>	<u>1,854,274</u>	<u>-</u>	<u>-</u>	<u>1,854,274</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 802,558	-	-	-	-
Notes and accounts payable (related parties included)	2,436,650	-	-	-	-
Other payables	817,349	-	-	-	-
Lease liabilities	<u>210,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,267,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,109,360	-	-	-	-
Notes and accounts receivable (related parties included)	3,029,229	-	-	-	-
Other receivables (related parties included)	89,898	-	-	-	-
Other financial assets — current and non- current	385,301	-	-	-	-
<b>Total</b>	<b><u>\$ 6,613,788</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 1,099,864	-	-	-	-
Notes and accounts payable (related parties included)	2,809,799	-	-	-	-
Other payables	918,220	-	-	-	-
Lease liabilities	312,776	-	-	-	-
<b>Total</b>	<b><u>\$ 5,140,659</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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 open-ended funds).

b) Derivative financial instrument

The forward exchange contract is usually priced by the forward exchange rate from financial institutions.

(Continued)

**CHIN-POON INDUSTRIAL CO., LTD.**  
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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, 2022 and 2021.

(u) Financial risk management

(i) Overview

The Company has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors of the Company is full responsible for the establishment and management of the Company's risk management framework and policies. It is developed and managed by the committee which is authorized by the Board of Directors and the committee reports to the Board of Directors regarding the 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.

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The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

2) Investments

The credit risk exposure in the bank deposits, fix income investment and other financial instruments are measured and monitored by the Company's finance department and reported to the management by authority. Since those who transact with the Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. Hence, there is no significant credit risk.

3) Guarantees

The Company's policy allows it to provide financial guarantees to directly and indirectly more them 50% owned subsidiaries. Financial guarantees provided by the Company as of December 31, 2022 and 2021, 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.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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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 \$2,235,053 thousand and \$1,695,510 thousand, respectively, as of December 31, 2022 and 2021.

(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 products. 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's 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.

(v) 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.

The Company's debt-to-capital ratio at the end of the reporting period were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 5,745,244	6,397,389
Less: cash and cash equivalents	<u>1,686,677</u>	<u>3,109,360</u>
Net debt	<u>\$ 4,058,567</u>	<u>3,288,029</u>
Total equity	<u>\$ 15,853,107</u>	<u>15,271,286</u>
Debt-to-capital ratio	<u>26 %</u>	<u>22 %</u>

As of December 31, 2022, there was no changes in the Company's approach of capital management.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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(w) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Acquisition of right-of-use assets	Foreign exchange movement	Reduction of right-of-use assets	
Short-term loans	\$ 1,099,864	(292,799)	-	(4,507)	-	802,558
Lease liabilities	312,776	(55,916)	50,626	-	(96,611)	210,875
Total liabilities from financing activities	<u>\$ 1,412,640</u>	<u>(348,715)</u>	<u>50,626</u>	<u>(4,507)</u>	<u>(96,611)</u>	<u>1,013,433</u>

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Acquisition of right-of-use assets	Foreign exchange movement	Reduction of right-of-use assets	
Short-term loans	\$ 1,123,159	(53,042)	-	29,747	-	1,099,864
Lease liabilities	365,717	(49,541)	3,370	-	(6,770)	312,776
Total liabilities from financing activities	<u>\$ 1,488,876</u>	<u>(102,583)</u>	<u>3,370</u>	<u>29,747</u>	<u>(6,770)</u>	<u>1,412,640</u>

(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:

<u>Name of related party</u>	<u>Relationship with the Company</u>
VEGA International Enterprise Co., Ltd.	Subsidiary
Draco PCB Public Co., Ltd.	Subsidiary
Chin-Poon Holdings Cayman Limited	Subsidiary of VEGA International Enterprise Co., Ltd.
Chin-Poon (Changshu) Electronic Co., Ltd.	Subsidiary of Chin-Poon Holdings Cayman Limited

(c) Significant transactions with related parties

(i) Sales

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

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Chin-Poon (Changshu) Electronic Co., Ltd.	\$ 36,878	32,846
Draco PCB Public Co., Ltd.	17,258	11,637
	<u>\$ 54,136</u>	<u>44,483</u>

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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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:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Chin-Poon (Changshu) Electronic Co., Ltd.	\$ 4,145,957	4,126,532
Draco PCB Public Co., Ltd.	<u>127,966</u>	<u>133,153</u>
	<u>\$ 4,273,923</u>	<u>4,259,685</u>

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:

	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 5,857</u>	<u>113,620</u>

(iv) Lending to related parties

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Draco PCB Public Co., Ltd.	<u>\$ 61,424</u>	<u>-</u>

For the year end December 31, 2022, the interest income received by the Company from its related parties amounted to \$1,349 thousand. As of December 31, 2022, the interest receivables resulting from the aforementioned transactions were \$852 thousand. For the year ended December 31, 2021, the company did not have any loans to its related parties.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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## (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:

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	Subsidiaries:		
	Draco PCB Public Co., Ltd.	\$ 3,270	2,928
	Chin-Poon (Changshu) Electronic Co., Ltd.	542	6,520
Other receivable	Subsidiaries		
	Draco PCB Public Co., Ltd.	64,690	1,127
	Other subsidiaries	<u>75</u>	<u>226</u>
		<u>\$ 68,577</u>	<u>10,801</u>

## (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:

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Subsidiaries:		
	Chin-Poon (Changshu) Electronic Co., Ltd.	\$ 1,067,401	966,732
	Draco PCB Public Co., Ltd.	<u>7,305</u>	<u>18,281</u>
		<u>\$ 1,074,706</u>	<u>985,013</u>

## (vii) Guarantees

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Chin-Poon Holdings Cayman Limited	\$ -	553,200
Draco PCB Public Co., Ltd.	<u>614,240</u>	<u>442,560</u>
	<u>\$ 614,240</u>	<u>995,760</u>

For the years ended December 31, 2022 and 2021, the commission income received by the Company from its related parties amounted to \$276 thousand and \$713 thousand, respectively. The commission income was recorded under non-operating income and expenses— other income.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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(d) Management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 39,007	38,583
Post-employment benefits	887	903
	<u>\$ 39,894</u>	<u>39,486</u>

For the years ended December 31, 2022 and 2021, the Company provided tow and four vehicles, at the costs of \$1,007 thousand and \$2,054 thousand, respectively, for key management personnel.

**(8) Pledged assets: None.**

**(9) Commitments and contingencies**

- (a) As of December 31, 2022 and 2021, the Company provided guarantee notes, each amounting to \$680,000 thousand, 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 each amounted to \$10,000 thousand for both years.
- (b) For expanding the factory, the Company entered contracts of construction and purchase of property, plant and equipment. The total contract amount was \$2,856 thousand and \$2,550 thousand as of December 31, 2022 and 2021, respectively, of which the Company had paid \$994 thousand and \$765 thousand, respectively, included in the construction in progress and prepayments for equipment accounts.
- (c) 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 former 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 former 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) Losses Due to Major Disasters: None.**

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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**(11) Subsequent Events**

The appropriation of 2022 earnings for the Company please refer to note 6(o).

**(12) Other**

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

By nature	Year ended December 31 2022			Year ended December 31 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	1,822,566	234,938	2,057,504	1,917,354	219,755	2,137,109
Labor and health insurance	188,143	18,870	207,013	199,051	18,504	217,555
Pension	65,380	9,868	75,248	67,467	9,728	77,195
Directors' remuneration	-	14,468	14,468	-	12,833	12,833
Others	55,857	7,842	63,699	60,051	7,826	67,877
Depreciation	568,718	39,166	607,884	566,140	36,348	602,488
Amortization	-	-	-	-	-	-

The Company's number of employees and additional information on employee benefits for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Number of employees	<u>2,924</u>	<u>3,184</u>
Number of non-employees directors	<u>9</u>	<u>9</u>
Average employees benefit	<u>\$ 825</u>	<u>787</u>
Average salary	<u>\$ 706</u>	<u>673</u>
Adjustment of employees' average salary	<u>4.90 %</u>	
Supervisor remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employee) were as follows:

In accordance with the Company's articles of incorporation, the Company should contribute no more than 3% of its profit as directors' remuneration when there is profit for the year. The managers' salary is evaluated based on their achievement of performance index. In addition, the employees' salary include their basic salary, festival bonus and year-end bonus, which will be adjusted according to their performance evaluation and price index.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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**(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 2022:

**(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	The Company	Draco PCB Public Co., Ltd.	Other receivables – related parties	Yes	257,600	245,696	61,424	3.95 ~5.55	2	-	Operating capital	-	-	-	6,341,243 (Note 2)	6,341,243 (Note 2)
1	Chin Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co., Ltd	Other receivables – related parties	Yes	966,000	921,360	921,360	1.55 ~5.55	2	-	Operating capital	-	-	-	3,655,112 (Note 1)	3,655,112 (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 parties, 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	The Company	Chin Poon Holdings Cayman Limited	4	3,170,621	640,542	-	-	-	- %	3,963,277	Y	N	N
0	The Company	Draco PCB Public Co., Ltd.	4	3,170,621	1,070,064	614,240	-	-	3.87 %	3,963,277	Y	N	N
1	CHIN-POON INDUSTRIAL CO., LTD.	Chin-Poon (Changshu) Electronic Co., Ltd	4	1,272,815	89,172	88,106	-	-	1.38 %	1,591,019	N	Y	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, 2022 (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 units	Book value	Holding percentage	
The Company	Beneficiary Certificate: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss – current	43,332,739	653,059	- %	653,059
The Company	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss – current	50,903,650	700,699	- %	700,699
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss – current	39,301,503	500,516	- %	500,516

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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- (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
The Company	Beneficiary Certificate: Jih Sun MoneyMarket Fund	Financial assets at fair value through profit or loss – current	Jih Sun Securities Co., Ltd.	-	-	-	73,215,929	1,100,000	29,883,190	450,000	448,627	1,373	43,332,739	653,059
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss – current	Taishin Securities Investment Trust Company Limited	-	-	-	50,903,650	700,000	-	-	-	-	50,903,650	700,699
The Company	Allianz GlobalInvestors TaiwanMoney MarketFund	Financial assets at fair value through profit or loss – current	Allianz GlobalInvestors GMBH	-	-	-	39,301,503	500,000	-	-	-	-	39,301,503	500,516

- (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.	Investee controlled by the Company	Purchase	4,145,957	46.22 %	Note 1	Note 1	Note 1	(1,067,401)	(43.81) %	
Chin-Poon (Changshu) Electronic Co. Ltd.	The Company	Ultimate parent company of Chin-Poon (Changshu) Electronic Co., Ltd.	(Sale)	(4,145,957)	(61.49) %	Note 1	Note 1	Note 1	1,067,401	58.03 %	
The Company	Draco PCB Public Co., Ltd.	Subsidiary of the Company	Purchase	127,966	1.43 %	Note 1	Note 1	Note 1	(7,305)	(0.30) %	
Draco PCB Public Co., Ltd.	The Company	Parent company of Draco PCB Public Co., Ltd.	(Sale)	(127,966)	(8.03) %	Note 1	Note 1	Note 1	7,305	2.07 %	

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 of Chin-Poon (Changshu) Electronic Co., Ltd.	1,067,401	4.08	-	-	722,781 (As at February 15, 2023)	-
Chin-Poon Holdings Cayman Limited	Chin-Poon (Changshu) Electronic Co. Ltd.	Parent company of Chin-Poon (Changshu) Electronic Co. Ltd.	934,029 (Note 1)	-	-	-	12,485 (As at February 15, 2023)	-

Note 1: Included principle \$921,360 thousand and other receivables of interest \$12,669 thousand.

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**CHIN-POON INDUSTRIAL CO., LTD.**  
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## (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, 2022, 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, 2022			Fair value of liabilities
	Contract amount (in thousands)	Currency	Expiry date	
Forward Contracts	USD	2,415	USD/THB	2023.05
	THB	83,457		3,821

During the year ended December 31, 2022, the realized exchange gain of \$2,448 thousand was recognized by Draco PCB Public Co., Ltd. related to derivative financial instruments as financial assets at fair value through profit or loss held on the year then ended.

## (b) Information on investees

The following is the information on investees for the year ended December 31, 2022 (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, 2022	December 31, 2021	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 %	7,324,458	345,587	345,587	Subsidiary (Note 1)
The Company	Draco PCB Public Co., Ltd.	Thailand	Production and trading of printed circuit board	2,306,635	2,306,635	670,618,477	99.78 %	1,194,935	(160,393)	(160,040)	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 %	7,310,223	345,545	345,545	Subsidiary (Note 1)

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 an international accounting firm in cooperation with the R.O.C. accounting firm.

## (c) Information on investment in mainland China

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	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	3,685,440	(2)	2,610,520	-	-	2,610,520	319,539	100%	319,539	6,364,076	1,347,795

Note 1: The method of investment is divided into the following three categories:

- (1) Invest directly in a company in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China. (The Company invests Chin-Poon (Changshu) Electronic Co., Ltd. through Chin Poon Holdings Cayman Limited.)
- (3) Other methods.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7120).

## (ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of 2022	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
2,610,520	3,839,000	- (Note 1)

Note 1: On November 22, 2021, the Company was certified as an operations center from November 17, 2021 to November 16, 2024 by the Industrial Development Bureau, Ministry of Economic Affairs, with approval letter No. 11020442500. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date(USD1 to NTD30.7120).

## (iii) Significant transactions:

The Company's significant indirect and direct transactions with investment in Mainland China for the year ended December 31, 2022, please refer to note 13(a).

(Continued)

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

(d) Major shareholders:

			Unit: Shares
Shareholder's Name	Shareholding	Shares	Percentage
Fubon Insurance Co., Ltd.		25,959,000	6.53 %

**(14) Segment information**

Please refer to the year 2022 consolidated financial statements.

## Chin-Poon Industrial Co., Ltd.

## Statement of cash and cash equivalents

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Description</u>	<u>Amount</u>
Cash and cash equivalents		\$ <u>890</u>
Bank deposits	Demand deposits	396,728
	Foreign currency deposits	
	USD 17,190 thousand @30.7120	527,924
	EUR 1,831 thousand @32.7351	59,923
	JPY 450,000 thousand @0.2315	104,175
	RMB 1,785 thousand @4.4053	7,864
	THB 2,894 thousand @0.8894	2,574
	Time deposits (interest rate at 1.100%~2.54%)	
	NTD200,571 thousand	200,571
	USD 900 thousand @30.7120	27,641
	RMB 81,077 thousand @4.4053	357,169
	Checking deposit	<u>1,218</u>
	Subtotal	<u>1,685,787</u>
		<u>\$ <b>1,686,677</b></u>

**Chin-Poon Industrial Co., Ltd.**

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

**For the year ended December 31, 2022**

**(All amounts expressed in thousands of New Taiwan dollars)**

<u>Type</u>	<u>Description</u>	<u>Unit</u>	<u>Carrying</u>	<u>Gross</u> <u>amount</u>	<u>Rate</u> <u>(%)</u>	<u>Cost</u>	<u>Accumulated</u> <u>impairment</u>	<u>Fair value</u>		<u>Note</u>
								<u>price</u>	<u>amount</u>	
Jin Sun Money Market		43,333	\$ -	-	-	651,373	-	15.0708	653,059	No pledged as collateral
Franklin Templetin Sinoam Money Market		50,904	-	-	-	700,000	-	13.7652	700,699	"
Allinnz Glbl Inv Global Bd A		39,302	-	-	-	500,000	-	12.7353	500,516	"
						<u>\$ 1,851,373</u>			<u>1,854,274</u>	

**Chin-Poon Industrial Co., Ltd.**

**Statement of accounts receivable**

**December 31, 2022**

(All amounts expressed in thousands of New Taiwan dollars)

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.	Arising from operating activities	\$ 542	
Draco PCB Public Co., Ltd.	"	<u>3,270</u>	
Subtotal		<u>3,812</u>	
Non-related parties:			
Company A	Arising from operating activities	331,849	
Others (amount individually less than 5%)	"	<u>2,417,293</u>	
Subtotal		2,749,142	
Less: loss allowance		<u>10,942</u>	
Subtotal		<u>2,738,200</u>	
Total		<u><u>\$ 2,742,012</u></u>	

**Statement of other receivables**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Other Receivables – related parties	Supplies purchased on behalf of others	\$ 1,624	
	Payment on behalf of others	593	
	Receivable from guarantees	272	
	Receivable from liquidation	<u>62,276</u>	
	Subtotal	<u>64,765</u>	
Other Receivables – non-related parties	Revenue from scrap sales	33,819	
	Interest income	<u>1,161</u>	
Subtotal		<u>34,980</u>	
		<u><u>\$ 99,745</u></u>	

## Chin-Poon Industrial Co., Ltd.

## Statement of inventories

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Type	Amount		Note
	Cost	Net realizable value	
Finished goods	\$ 1,700,769	1,665,346	Market value is represented by NRV
Work in process	629,854	614,957	"
Raw materials	133,055	125,743	"
Supplies	129,575	108,498	"
Total	2,593,253	<b>2,514,544</b>	
Less: allowance for inventory write-down	85,918		
	<b>\$ 2,507,335</b>		

## Statement of prepayments

Type	Description	Amount	Note
Prepaid expenses		\$ 18,638	
Prepaid import taxes		16,821	
Others		7,129	
		<b>\$ 42,588</b>	

## Chin-Poon Industrial Co., Ltd.

## Statement of other financial assets—current

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Segregated foreign exchange deposits	Repatriated offshore funds	\$ <u><u>159,985</u></u>	Not pledged as collateral

## Statement of other current assets

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
VAT tax recoverable		\$ 41,403	
Others		<u>578</u>	
		\$ <u><u>41,981</u></u>	



**Chin-Poon Industrial Co., Ltd.**

**Statement of changes in investments accounted for under equity method**

**For the year ended December 31, 2022**

**(All amounts expressed in thousands of New Taiwan dollars)**

Investees	Balance, Beginning of Period		Increase		Decrease		Balance, End of Period			Market value or book value		Pledged as Collateral	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Ownership (%)	Amount	Unit price	Gross value		
VEGA International Enterprise Co., Ltd.	131,243	\$ 6,794,458	-	530,000	-	-	131,243	100.00	7,324,458	-	7,324,458	None	
				(Note 1)									
Draco PCB Public Co., Ltd.	670,618	1,271,071	-	83,904	-	160,040	670,618	99.78	1,194,935	-	1,194,935	None	
				(Note 2)		(Note 3)							
		<u>\$ 8,065,529</u>		<u>613,904</u>		<u>160,040</u>			<u>8,519,393</u>		<u>8,519,393</u>		

Note 1: The amount contains \$345,587 thousand from investment income generated by subsidiaries, business associates and joint ventures and \$184,413 thousand from exchange differences on translation of foreign financial statements .

Note 2: The amount contains \$82,453 thousand from exchange differences on translation of foreign financial statements and \$1,451 thousand actuarial losses of defined benefit plans.

Note 3: The amount contains \$(160,040) thousand investment losses generated by subsidiaries, business associates and joint ventures.

**Chin-Poon Industrial Co., Ltd.**

**Statement of changes in property, plant and equipment**

**For the year ended December 31, 2022**

**(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, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Segregated foreign exchange deposits	Repatriated offshore funds	\$ 120,084	Not pledged as collateral
Refundable deposits	Rental deposits	8,456	
		<u>\$ 128,540</u>	

## Statement of short-term loans

<u>Type</u>	<u>Lender</u>	<u>Ending Balance</u>	<u>Term</u>	<u>Interest Rate (%)</u>	<u>Line of Credit</u>	<u>Pledged as collateral</u>	<u>Note</u>
Unsecured loans	Taishin International Bank	<u>\$ 802,558</u>	Within 1 year	1.74~5.28	921,360	None	

## Chin-Poon Industrial Co., Ltd.

## Statement of notes payable

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Suppliers</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company A	Arising from operating activities	\$ 213,842	
Company B	"	84,253	
Company C	"	48,402	
Others (amount individually less than 5%)	"	<u>292,534</u>	
		<u><u>\$ 639,031</u></u>	

## Statement of accounts payable

<u>Suppliers</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related parties:			
Chin Poon (Changshu) Electronic Co., Ltd.	Arising from operating activities	\$ 1,067,401	
Draco PCB Public Co., Ltd	"	<u>7,305</u>	
Subtotal		<u>1,074,706</u>	
Non-related parties:			
Company A	Arising from operating activities	93,853	
Company B	"	55,738	
Company C	"	47,384	
Others (amount individually less than 5%)	"	<u>525,938</u>	
Subtotal		<u>722,913</u>	
		<u><u>\$ 1,797,619</u></u>	

## Chin-Poon Industrial Co., Ltd.

## Statement of other payables

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Accrued salary, bonuses, and annual leaves		\$ 395,455	
Accrued payable on equipment		88,653	
Accrued processing fees		41,664	
Others (amount individually less than 5%)		<u>291,577</u>	
Total		<u>\$ 817,349</u>	

## Statement of lease liabilities

<u>Type</u>	<u>Description</u>	<u>Term of lease</u>	<u>Discount rate</u>	<u>Amount</u>	<u>Note</u>
Buildings		2023	2.15%	\$ 40,875	
Buildings		2024~2028	2.15%	<u>170,000</u>	
				<u>\$ 210,875</u>	

## Chin-Poon Industrial Co., Ltd.

## Statement of other current liabilities

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Type	Description	Amount	Note
Refund liabilities		\$ 561,883	
Suspense receipts		75,659	
Others (amount individually less than 5%)		<u>20,927</u>	
		<u><u>\$ 658,469</u></u>	

## Statement of operating revenue

For the year ended December 31, 2022

Product Types	Quantity	Amount	Note
Single-sided PCB	477,373 M <sup>2</sup>	\$ 1,084,805	
Double-sided PCB	302,710 M <sup>2</sup>	1,164,878	
Multilayer PCB	890,195 M <sup>2</sup>	7,028,692	
Revenue from related parties	1,047,949 M <sup>2</sup>	4,489,974	
Single-sided mold	131 SET	2,077	
Double-sided mold	38 SET	80	
Multi-layer mold	157 SET	12,188	
Board	121,266 SHT	73,442	
Materials	25,473 KG	<u>12,560</u>	
Subtotal		13,868,696	
Less: sales returns and discounts		<u>257,395</u>	
Net revenue		<u><u>\$ 13,611,301</u></u>	

**Chin-Poon Industrial Co., Ltd.**  
**Statement of operating costs**  
**For the year ended December 31, 2022**  
**(All amounts expressed in thousands of New Taiwan dollars)**

Type	Amount	
	Subtotal	Total
Raw materials:		
Beginning raw materials inventory	\$ 188,435	
Add: Purchases	2,161,427	
Less: Ending raw materials inventory	133,055	
Raw materials resale	69,013	
Internal requisition for raw materials used in research and sampling	803	
Transfer to operating expenses	<u>5,551</u>	
Raw materials subtotal	<u>2,141,440</u>	
Supplies:		
Beginning supplies inventory	125,941	
Add: Purchases	2,259,637	
Less: Ending raw materials inventory	129,575	
Raw materials resale	12,242	
Transfer to operating expenses	<u>658</u>	
Supplies subtotal	<u>2,243,103</u>	
Cost of raw material used in production	4,384,543	
Direct labor	1,105,208	
Manufacturing expenses	<u>2,808,763</u>	
Manufacturing costs	8,298,514	
Add: Beginning work-in-process inventory	842,746	
Purchases	359,878	
Less: Ending work-in-process inventory	629,854	
Others	<u>20,499</u>	
Cost of finished goods	8,850,785	
Add: Beginning finished goods	1,569,088	
Purchases	4,136,809	
Less: Ending finished goods	1,700,769	
Tax returns from export	2,627	
Scrap	<u>20,866</u>	
Cost of finished goods sold		12,832,420
Cost of raw materials resale		81,255
Loss on inventory write-down		7,039
Sale of scrap		(286,510)
Unallocated production overhead		<u>130,201</u>
Total manufacturing costs		<u><u>\$ 12,764,405</u></u>

**Chin-Poon Industrial Co., Ltd.**

**Statement of selling expenses**

**For the year ended December 31, 2022**

(All amounts expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 69,231	
Sample expenses		64,626	
Shipping expenses		77,383	
Export expenses		19,283	
Commission		19,104	
Others (amount individually less than 5%)		<u>24,563</u>	
		<u><u>\$ 274,190</u></u>	

**Statement of administrative expenses**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 178,556	
Depreciation of right-of-use assets		30,360	
Professional service fee		17,656	
Others (amount individually less than 5%)		<u>68,188</u>	
		<u><u>\$ 294,760</u></u>	



**Chin-Poon Industrial Co., Ltd.**

**Statement of research and development expenses**

**For the year ended December 31, 2022**

**(All amounts expressed in thousands of New Taiwan dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 9,327	
Research expenses		51,486	
Others (amount individually less than 5%)		<u>1,445</u>	
		<u>\$ <b>62,258</b></u>	

**Statement of the net amount of other revenues and  
gains and expenses and losses**

Please refer to note 6(s).

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	2022	2021	Difference	
			Amount	%
Current Assets	14,275,934	14,405,703	(129,769)	-1%
Property, Plant and Equipment	6,721,425	7,388,403	(666,978)	-9%
Intangible Assets	0	0	0	0%
Other Assets	1,584,335	1,422,837	161,498	11%
Total Assets	22,581,694	23,216,943	(635,249)	-3%
Current Liabilities	5,820,682	7,065,506	(1,244,824)	-18%
Noncurrent Liabilities	907,522	879,600	27,922	3%
Total Liabilities	6,728,204	7,945,106	(1,216,902)	-15%
Share Capital	3,974,954	3,974,954	0	0%
Capital Surplus	1,580,137	1,579,698	439	0%
Retained Earnings	10,602,895	10,288,379	314,516	3%
Other Equity	(304,879)	(571,745)	266,866	-47%
Noncontrolling Interests	383	551	(168)	-30%
Total Equity	15,853,490	15,271,837	581,653	4%

Explanation:

- (1) Other equity: It is mainly due to the decrease in the exchange differences on translation from the financial statements of foreign subsidiaries.
- (2) Noncontrolling Interests: The main reason is that the Company's recognized equity in its subsidiaries decreased, resulting in a decrease in noncontrolling Interests.

#### 7.1.2 Future Response Plan

In 2022, the Company has faced the disruption of the global automotive

supply chain. In early 2022, the Russia-Ukraine War has led to the interruption of the supply of auto components in some regions. And then the cost of raw materials and energy rose sharply. They have huge impact on disruption of the global automotive supply chain, which could not improve immediately. The Company is still able to achieve a decent 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	2022	2021	Difference	
			Amount	%
Operating Revenue	17,614,328	18,219,280	(604,952)	-3.32%
Operating Cost	16,107,201	17,085,633	(978,432)	-5.73%
Gross Profit	1,507,127	1,133,647	373,480	32.94%
Operating Expenses	1,234,450	1,319,301	(84,851)	-6.43%
Operating Income	272,677	(185,654)	458,331	246.87%
Non-operating Income and Expenses	470,006	646,318	(176,312)	-27.28%
Profit (loss) before Tax from continuing operations	742,683	460,664	282,019	61.22%
Less: income tax expenses	246,445	122,964	123,481	100.42%
Profit (loss) after Tax from continuing operations	496,238	337,700	158,538	46.95%
Other comprehensive income, net of tax	283,724	(173,693)	457,417	263.35%
Total Comprehensive Income	779,962	164,007	615,955	375.57%

Explanation:

- (1) Increase in gross profit, operating income and profit before tax: Mainly due to the sharp appreciation of the US dollar against Taiwan dollar and RMB in the second half of 2022, which helped us to increase our gross profit as a manufacturer exporter, our gross profit, operating income and profit before tax increased.
- (2) Decrease in non-operating income and expenses: Most of the non-operating income in 2021 was the insurance claim arising from the fire incident on April 28, 2018, and there was no insurance claim in 2022, which caused the huge difference between two periods.

- (3) Income tax expense: It was mainly due to differences in tax rates in foreign jurisdictions.
- (4) Other comprehensive income: The main reason was the exchange differences on translation from the financial statements of foreign subsidiaries and the remeasurements of the net defined benefit liability.
- (5) Based on the above reasons, profit before tax from continuing operations, profit after tax from continuing operations, and the total comprehensive income increased as well.

## 7.3 Analysis of Cash Flow

### 7.3.1 Liquidity Analysis for the Last Two Years

Item	Year		Change %
	2022	2021	
Cash Flow Ratio (%)	36	(2)	1900%
Cash Flow Adequacy Ratio (%)	144	122	18%
Cash Reinvestment Ratio (%)	7	(1)	800%

Explanation:

- (1) Cash Flow Ratio: Due to the increase in net cash inflow from operating activities, the cash flow ratio increased.
- (2) Cash flow adequacy ratio: Due to the increase in net cash inflow from operating activities, the cash flow adequacy ratio increased.
- (3) Cash reinvestment ratio: Due to the increase in net cash inflow from operating activities, the cash reinvestment ratio increased.

### 7.3.2 Analysis of Cash Flow in the Coming Year

Unit: NT\$ thousand

Cash Balance Dec. 31, 2022	Net Cash Provided by Operating Activities in 2023	Net Cash Used in Investing and Financing Activities in 2023	Cash Balance Dec. 31, 2023	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
3,366,817	1,401,510	806,247	3,962,080	-	-

- (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 upgrade automation and build smart factories, to solve the bottleneck resulting from labor shortage, 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. At the same time, it helped to improve yields and efficiency as well.

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 2022 reached RMB 1,489,587 thousand and RMB 72,105 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 2021, our ownership has reached 99.78%. 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\$ 160,040 thousand in 2022. 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 is 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:
  - Technology development for all aspects of smart factories, including smart monitoring, smart automation, smart cooperation and AI applications



- Development of middle/high current carrying PCBs
- Development of partial heat dissipation PCBs
- Development of embedded Cu-inlay for Matrix/Multi-Pixel LED Headlights System
- Development of semi-flex plus PCB for vehicle
- Development of rigid flex for ADAS
- Development of radio frequency PCBs
- Development of cavity PCB
- Development of advanced HDI
- Development of thick Cu Coil PCB for vehicle planar transformer
- 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\$ 276,708 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 (including information security risks) 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) Information security risk: Refer to 5.6 Information Security Management for the details.
  - (3) 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.
  - (4) Information security risk: Refer to 5.6 Information Security Management for the details.

### 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, ITEQ and SYTECH, 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. In 2020, Mrs. Yu-Chih Tseng-Liu was elected as the new chairperson, who was one of the founding shareholders. Therefore, the board of directors and the management team 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 maintained the same top management. In 2020, Mrs. Yu-Chih Tseng-Liu was elected as the new chairperson, who was one of the founding shareholders. Therefore, the same top management of the Company has remains.
- 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 Pingzhen 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 Pingzhen Plant, including Wei-Jin Huang (former chairperson and current director), Hsiang-Sheng Chen (former VP and current director), a former manager of Engineering & Maintenance and a former plant manager of Pingzhen 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. The access control is used to control and restrict the authorities of the operators for the critical operating servers. The principle of minimum authorities is applied and the passwords are required to be changed regularly, the individual setting of which depends on its password complexity, to achieve the decentralization and to trace accountability. The operators shall comply with the "business need to know" principle to avoid the risks of operation caused by improper authorization.
  - (4) Perform data backup on a regular basis, check them daily and perform

periodic recovery tests to ensure the integrity of the backed up 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.
- (8) Regularly conduct internal information security advocacy to strengthen employees' awareness of information security.
- (9) Refer to 5.6 Information Security Management for the details.

#### 7.6.15 Other important risks.

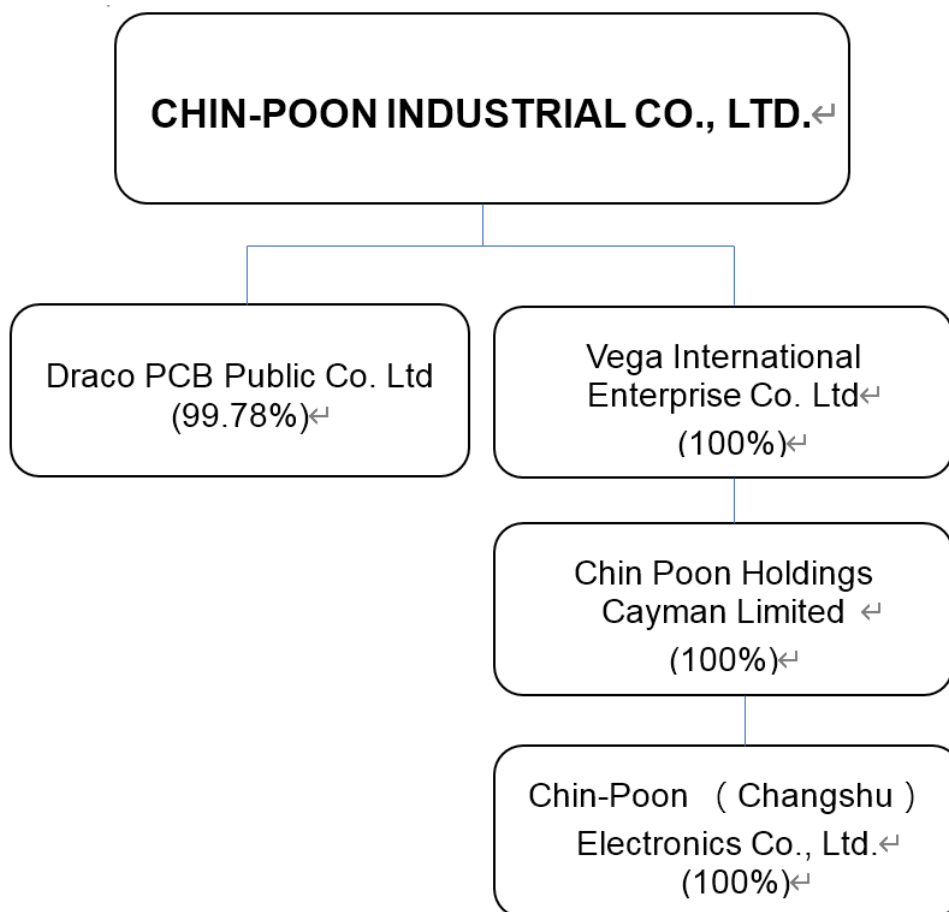
- Risk matters:
  - (1) None
- Response measures:
  - (1) None

#### 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



Note: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

### 8.1.2 Basic Information of Each Affiliated Enterprise (as of March 31, 2023)

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 National New & Hi-tech Industrial 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 672,115 thousand	Manufacturing, processing and sale of printed circuit boards

Note: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

8.1.3 Information on the common shareholders in the companies having controlling and subordinate relation between them: None.

8.1.4 What businesses engaged by the whole group of affiliated enterprises: manufacturing and investments.

### 8.1.5 Information on Directors and CEOs of Affiliated Enterprises: (as of April 29, 2023)

Unit: shares; %

Company	Title	Name	Shareholding	Shareholding %
Chin-Poon Industrial Co., Ltd.	Chairperson	Tseng-Liu, Yu-Chih	9,603,279	2.42
	Director	Lin, Pi-Chi	6,919,649	1.74
	Director	Tung, Hsiao-Hung	6,308,043	1.59
	Director	Huang, Wei-Jin	11,238,409	2.83
	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	Tseng-Liu, Yu-Chih (its representative)	131,242,925	100
Chin Poon Holdings Cayman Limited	Chairperson	Tseng-Liu, Yu-Chih (its representative)	92,354,035	100
Chin-Poon (Changshu) Electronics Co., Ltd.	Chairperson	Tseng-Liu, Yu-Chih	Note 1	100
	Director	Lin, Pi-Chi		
	Director	Huang, Wei-Jin		
	Director	Tseng, Wen-Yu		
	Director	Tung, Hsiao-Hung		
Draco PCB Public Co. Ltd.	Chairman of the Board	Tseng-Liu, Yu-Chih		
	Director/ Managing director	Mr. Chen, Jung Kun (or Mr. Alan Chen)	81,104	0.012
	Director	Mr. Huang, Wei-Jin (or Mr. Vincent Huang)	-	-
	Director	Miss Laksana Samranthiwawan	-	-
	Director	Mr. Lin Pi-Chi	-	-
	Independent Director/ Audit Committee	Mr. Adul Amatavivadhana	-	-

Note 1: The Company is a limited Company with Share Capital of US\$120,000 thousand as of March 31, 2023.

Note 2: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD.".

## 8.1.6 Overview of Affiliated Enterprises in 2022

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	21,598,351	5,745,244	15,853,107	13,611,301	219,667	496,591	1.25
Vega International Enterprise Co.,LTD (US\$)	131,243	238,488	-	238,488	-	-	11,598	0.09
Chin Poon Holdings Cayman Limited (US\$)	92,354	238,026	1	238,025	0	-14	11,597	0.13
Chin-Poon (Changshu) Electronics Co., Ltd. (RMB)	864,973	2,064,201	605,802	1,458,399	1,528,053	60,115	84,522	Note 1
Draco PCB Public Co. Ltd.(THB)	672,115	1,732,608	440,900	1,291,708	1,873,398	-194,620	-188,565	-0.28

Note 1: The Company is a limited Company with no calculation of earnings per share.

Note 2: At the shareholders meeting of Draco on April 28, 2023, it was resolved that "DRACO PCB PUBLIC CO., LTD." be renamed "CHIN POON ELECTRONICS (THAILAND) PUBLIC CO., LTD."

## 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 2022 (from January 1, 2022 to December 31, 2022) 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 2022 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 specified item by item:**

None



Chin-Poon Industrial Co., Ltd.  
Statement of Internal Control System

Date: March 13, 2023

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 2022:

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, 2022, 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 2021 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 13, 2023, 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: Yu-Chih Tseng-Liu

CEO: Alan Hwang

**CHIN-POON INDUSTRIAL CO., LTD.**

**Chairperson: Yu-Chih Tseng-Liu**