

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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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



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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)

	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
11xx Cash and cash equivalents (note 6(a))	\$ 3,366,817	15	3,824,300	17	2100	\$ 802,558	3	1,352,335	6
1100 Financial assets measured at fair value through profit and loss – current (note 6(b))	1,854,274	8	34	-	2120	3,821	-	-	-
1110 Notes receivable, net (notes 6(d) and (o))	11,013	-	4,337	-	2150	639,031	3	817,394	4
1170 Accounts receivable, net (notes 6(d) and (o))	3,865,643	17	4,229,831	18	2170	1,999,077	9	2,535,350	11
1200 Other receivables (note 6(e))	94,961	-	138,836	1	2219	1,168,951	5	1,191,452	5
1220 Current income tax assets	-	-	9,805	-	2230	146,082	1	47,411	-
130x Inventories (notes 6(f) and 9)	4,010,478	18	4,256,689	18	2280	40,875	-	52,542	-
1410 Prepayments	79,273	-	61,466	-	2399	1,020,287	5	1,069,022	4
1476 Other financial assets – current (note 6(c))	894,330	4	1,663,308	7		5,820,682	26	7,065,506	30
1479 Other current assets	99,145	1	217,097	1	25xx				
Total current assets	<u>14,275,934</u>	<u>63</u>	<u>14,405,703</u>	<u>62</u>	<u>2570</u>	<u>707,303</u>	<u>3</u>	<u>588,447</u>	<u>3</u>
Non-current assets:									
15xx Property, plant and equipment (notes 6(g), 7, 8 and 9)	6,721,425	30	7,388,403	32	2640	170,000	1	260,234	1
1600 Right-of-use assets (note 6(h))	246,101	1	350,369	2		30,219	-	30,919	-
1755 Deferred tax assets (note 6(l))	216,288	1	218,925	1	2xxx	907,522	4	879,600	4
1840 Prepayments for equipment (note 9)	3,711	-	-	-	31xx	6,728,204	30	7,945,106	34
1975 Net defined benefit asset – non-current (note 6(k))	127,150	1	95,926	-	3110	3,974,954	17	3,974,954	17
1980 Other financial assets – non-current (note 6(c))	991,085	4	757,617	3	3200	1,580,137	7	1,579,698	7
Total non-current assets	<u>8,305,760</u>	<u>37</u>	<u>8,811,240</u>	<u>38</u>	<u>3300</u>	<u>11,580,137</u>	<u>47</u>	<u>10,288,379</u>	<u>44</u>
Total assets	<u>\$ 22,581,694</u>	<u>100</u>	<u>23,216,943</u>	<u>100</u>	<u>2-3xxx</u>	<u>\$ 22,581,694</u>	<u>100</u>	<u>23,216,943</u>	<u>100</u>
Liabilities and Equity									
Current liabilities:									
21xx Short-term loans (notes 6(i), 8 and 9)									
Financial liabilities at fair value through profit or loss – current (note 6(b))									
Notes payable									
Accounts payable									
Other payables (notes 6(k) and 6(p))									
Current tax liabilities									
Current lease liabilities (note 6(j))									
Other current liabilities (note 6(o))									
Total current liabilities									
Non-Current liabilities:									
Deferred tax liabilities (note 6(i))									
Non-current lease liabilities (note 6(j))									
Net defined benefit liability – non-current (note 6(k))									
Total non-current liabilities									
Total liabilities									
Equity attributable to shareholders of the parent (note 6(m)):									
Common stock									
Capital surplus									
Retained earnings:									
Legal reserve									
Special reserve									
Unappropriated earnings									
Other equity:									
Foreign currency translation differences for foreign operations									
Total equity attributable to shareholders of the company									
Non-controlling interests									
Total equity									
Total liabilities and equity									

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						Other equity		Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences for foreign operations	Company			
Balance at January 1, 2021	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:	-	-	5,060	-	(5,060)	-	-	-	-	-	
Legal reserve	-	-	-	84,140	(84,140)	-	-	-	-	-	
Special reserve	-	-	-	-	(198,748)	(198,748)	-	(198,748)	-	(198,748)	
Cash dividends	-	-	-	-	337,782	337,782	-	337,782	(82)	337,700	
Net income for the year	-	-	-	-	(35,991)	(35,991)	(137,376)	(173,367)	(326)	(173,693)	
Other comprehensive income for the year	-	-	-	-	301,791	301,791	(137,376)	164,415	(408)	164,007	
Total comprehensive income for the year	-	-	-	-	-	-	-	40	1	41	
Changes in non-controlling interests	-	40	-	-	-	-	-	40	-	-	
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	433	-	-	-	-	-	433	-	433	
Balance at December 31, 2021	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:	-	-	30,179	-	(30,179)	-	-	-	-	-	
Legal reserve	-	-	-	137,376	(137,376)	-	-	-	-	-	
Special reserve	-	-	-	-	(198,748)	(198,748)	-	(198,748)	-	(198,748)	
Cash dividends	-	-	-	-	496,591	496,591	-	496,591	(353)	496,238	
Net income for the year	-	-	-	-	16,673	16,673	266,866	283,539	185	283,724	
Other comprehensive income for the year	-	-	-	-	513,264	513,264	266,866	780,130	(168)	779,962	
Total comprehensive income for the year	-	-	-	-	-	-	-	439	-	439	
Non-payment of expired cash dividends from previous years transferred to capital surplus	-	439	-	-	-	-	-	439	-	439	
Balance at December 31, 2022	3,974,954	1,580,137	2,439,494	571,745	7,591,656	10,602,895	(304,879)	15,853,107	383	15,853,490	

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
Cash flows from operating activities:		
Income before tax	\$ 742,683	460,664
Adjustments:		
Adjustments to reconcile profit and loss		
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
Net cash flows from (used in) operating activities	<u>2,104,192</u>	<u>(166,419)</u>
Cash flows from (used in) investing activities:		
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)
Net cash flows from (used in) investing activities	<u>(1,767,562)</u>	<u>123,943</u>
Cash flows from (used in) financing activities:		
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
Net cash flows used in financing activities	<u>(806,643)</u>	<u>(220,565)</u>
Effect of exchange rate changes on cash and cash equivalents	12,530	(22,794)
Net decrease in cash and cash equivalents	<u>(457,483)</u>	<u>(285,835)</u>
Cash and cash equivalents at beginning of period	<u>3,824,300</u>	<u>4,110,135</u>
Cash and cash equivalents at end of period	<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.

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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

	December 31, 2022	December 31, 2021
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

	December 31, 2022	December 31, 2021
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.

	December 31, 2022		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward contracts	USD 2,415 /	USD/THB	2023.05
	THB 83,457		
	December 31, 2021		
	Contract amount (thousand dollars)	Currency	Maturity dates
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:

	December 31, 2022		
	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,601,725	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>\$ 2,749,142</u>		<u>10,943</u>
	December 31, 2021		
	Gross carrying amount of notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not past due	\$ 2,893,955	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>\$ 3,093,807</u>		<u>72,449</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:

	December 31, 2022		
	Gross carrying amount of notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
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>
	<u>\$ 798,333</u>		<u>4,333</u>
	December 31, 2021		
	Gross carrying amount of notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
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>
	<u>\$ 813,339</u>		<u>1,583</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 other were as follows:

	December 31, 2022		
	Gross carrying amount of notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
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>
	<u>\$ 349,724</u>		<u>5,267</u>
	December 31, 2021		
	Gross carrying amount of notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
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>
	<u>\$ 406,498</u>		<u>3,867</u>

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

	2022	2021
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	<u>\$ 20,543</u>	<u>79,476</u>

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

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

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

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

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:

	2022	2021
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	<u>\$ (246,221)</u>	<u>(359,676)</u>

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:

	Land	Buildings	Machinery equipment	Other equipment	Leasehold improvement	Construction in progress and Equipment to be inspected	Total
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	<u>\$ 837,143</u>	<u>3,787,135</u>	<u>11,521,732</u>	<u>3,113,162</u>	<u>48,166</u>	<u>316,750</u>	<u>19,624,088</u>

(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
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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	866	-	866
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	198	-	198
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	67	-	67
Balance at December 31, 2022	<u>\$ 5,888</u>	<u>209,370</u>	<u>215,258</u>

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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

<u>December 31, 2022</u>				
<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>

<u>December 31, 2021</u>				
<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.

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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.

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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
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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>

(Continued)

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

	The impact of defined benefit obligation	
	<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.

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CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(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>

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CHIN-POON INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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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
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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
Balance at January 1, 2022	\$ 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
Balance at December 31, 2022	\$ 6,044	34,938	20,697	154,414	-	195	216,288
Balance at January 1, 2021	\$ 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)
Balance at December 31, 2021	\$ 6,184	40,508	18,537	148,048	-	5,648	218,925

Deferred tax liabilities:

	Gain from investment using equity method	Defined benefit plans	Unrealized interest income	Total
Balance at January 1, 2022	\$ 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
Balance at December 31, 2022	\$ 669,709	25,429	12,165	707,303
Balance at January 1, 2021	\$ 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
Balance at December 31, 2021	\$ 538,996	19,185	30,266	588,447

(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:

	December 31, 2022	December 31, 2021
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:

	2021		2020	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
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:

	2022 (Proposed)	
	Amount per share (NT dollars)	Total amount
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)

	Foreign exchange differences arising from foreign	Non-controlling interests	Total
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	
	2022	2021
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	
	2022	2021
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:

	2022			
	Taiwan	China	Others	Total
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>\$ 13,557,165</u>	<u>2,591,617</u>	<u>1,465,546</u>	<u>17,614,328</u>

	2021			
	Taiwan	China	Others	Total
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>\$ 13,995,384</u>	<u>2,551,026</u>	<u>1,672,870</u>	<u>18,219,280</u>

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
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>\$ 3,876,656</u>	<u>4,234,168</u>	<u>3,417,775</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)

	December 31, 2022	December 31, 2021
Sales return and discounts	\$ 730,050	707,189

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:

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

(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>
December 31, 2022						
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

December 31, 2021	<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 :

	<u>Carrying amount</u>	<u>December 31, 2022</u>			<u>Total</u>
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	
Financial assets measured at fair value through profit or loss					
Derivative financial assets for hedging	\$ <u>1,854,274</u>	<u>1,854,274</u>	<u>-</u>	<u>-</u>	<u>1,854,274</u>
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	<u>9,223,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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			
		Level 1	Level 2	Level 3	Total
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	\$ 5,000,464	-	3,821	-	3,821

	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
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	\$ 10,618,263	-	34	-	34

(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:

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

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:

	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	\$ 1,352,335	(551,979)	-	2,202	-	802,558
Lease liabilities	312,776	(55,916)	50,626	-	(96,611)	210,875
Total liabilities from financing activities	\$ 1,665,111	(607,895)	50,626	2,202	(96,611)	1,013,433

	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	\$ 1,311,226	27,683	-	13,426	-	1,352,335
Lease liabilities	365,717	(49,541)	3,370	-	(6,770)	312,776
Total liabilities from financing activities	\$ 1,676,943	(21,858)	3,370	13,426	(6,770)	1,665,111

(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).

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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
Total revenue	\$ 13,632,697	6,821,503	1,623,496	(4,364,596)	17,713,100
Interest expenses	\$ 23,597	30,482	5,765	(31,517)	28,327
Depreciation and amortization	\$ 607,883	409,663	113,963	-	1,131,509
Reportable segment profit or loss	\$ 676,747	230,901	(164,965)	-	742,683

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

	2021			Adjustments or elimination	Total
	Taiwan	China	Others		
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
Total revenue	\$ 14,056,205	6,792,073	1,818,297	(4,346,405)	18,320,170
Interest expenses	\$ 15,231	12,276	6,333	(11,933)	21,907
Depreciation and amortization	\$ 602,488	371,864	129,625	-	1,103,977
Reportable segment profit or loss	\$ 569,095	(50,663)	(57,768)	-	460,664

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.

Geographical information	2022	2021
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
Total	\$ 17,614,328	18,219,280

(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.