

Stock Name: jpp-KY

Stock Code: 5284



JPP Holding Company Limited

Annual Report 2019

(Translation)

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JPP Holding Company Limited annual report is available at: <http://www.jppholding.com>

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Registered Add: 190 Elgin Avenue, George Town, Grand Cayman KY1-9005 Cayman Islands  
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  - (2) Subsidiary company  
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3. Stock Transfer Agency  
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Tel: + 886-2-2563-5711
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Name: YANG, CHING-CHENG and CHEN, CHIH-YUAN  
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Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan
5. Overseas trade places for listed negotiable securities: None.
6. Company website: <http://www.jppholding.com>
7. The Litigation and non-litigious agent  
Name: CHUNG, KUO-CHUN Title: Vice General Manager  
Tel: +886-2-2541-5566 E-mail: [kc\\_chung@jinpao.co.th](mailto:kc_chung@jinpao.co.th)
8. Board of directors  
Directors 7 seat:  
HO SHENG HOLDINGS CO., LTD. (Corporate Representative: WANG, WEN-SHAN);

POWELL GROUP CO., LTD. (Corporate Representative: CHUNG, KUO-SUNG);  
BELIEVING POWER CO., LTD. (Corporate Representative: KUO, HUI-LING);  
WANG, JIA-NAN;  
CHEN, SHIH-CHIN;  
LAI, CHEN-CHU;  
HUANG, YUNG-FU

Independent director /Name	National ity	Education/Experience
HUANG, YU NG-FU	R.O.C	<p>National Taiwan University of Science and Technology Doctor National Taiwan University of Science and Technology Master Feng Chia University Department of Industrial Engineering Bachelor</p> <p>Experience: 2007- Professor/Chairman at Department of Marketing and Distribution Management, Chaoyang University of Technology 1995-2007 Lecturer/Vice Professor/Professor at Department of Business Administration, Chaoyang University of Technology 1994-1995 Lecturer at Fortune Institute of Technology, Department of Industrial Management</p>
LAI, CHEN-CHU	R.O.C	<p>Graduate Council of Law, University of Soochow Master Degree. Graded from Magistrate Training Institute of ROC.</p> <p>Experience: Former Judge, Banqiao District Court, Taiwan, The Advisor of Taipei County Government, Honorary Lawyer of the Small and Medium Enterprises Division of the Ministry of Economic Affairs R.O.C., Vice Chairman and Executive Director of Proview International Holdings Limited (Hong Kong), Supervisor of Soaring Technology Co., Ltd.</p>

<p>CHEN, SHIH-CHIN</p>	<p>R.O.C</p>	<p>Graduate school, Department of public finance, National Cheng-Chi University Business Administration Group, Department of Business, National Taiwan University Bachelor</p> <p>Experience: Chairperson, RICH Training &amp; Learning Academy Vice General Manager for Mega Bank Member, National Development Fund Review Panel, Executive Yuan Executive Director, Taiwan Securities Association</p>
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## I. LETTER TO SHAREHOLDERS

Dear all received:

In the past year, following the trend of the world and satisfying the needs of customers, the company is committed to developing the business opportunities brought by the Sino-US trade war and the advent of the 5G era. Through the development of new aerospace NADCAP special process certification to enhance the anode processing and heat treatment process capabilities, raising the technical threshold and continuously optimizing process capabilities, in addition to actively expanding the application of robotic arms, integrating Jinpao's 4.0. Besides, in line with the orders of major US server manufacturers, a new automated paint production line was built, and at the same time, the company's corporate social responsibility system was strengthened to meet the trend of today's international manufacturers requirements on corporate ESG (social, responsibility, corporate governance). The company's efforts have also borne fruit in 2020, and orders for servers have begun to enter mass production, while also attracting other server manufacturers to contact.

Due to the worldwide outbreak of Covid-19 Pneumonia at the beginning of Y2020, directly changed the living habits of human beings, and also severely affected the global economy. In beginning just shutdown in the mainland China's factories caused the interruption of the customer's supply chain and export continually owing to lockdown in the area of Europe and the United States, the global manufacturing industry was beat down. However, it's fortunately. The company always focuses on the high-end niche market, mostly are related to the livelihood industry. As well the planning in the server market last year has resulted at the beginning of this year, which just made up for the sale gap of other products caused by the epidemic. In order to prevent the spread of the epidemic, the factory adopted strict anti-epidemic measures, and fully introduced remote meetings and remote backups which made the epidemic have little impact on the company's operations. Although the global tourism industry and aerospace transportation have contracted sharply, caused the aerospace manufacturing industry to postpone orders, but in the long-term view, we strengthen on the aerospace technical capabilities to apply on non-aerospace industry markets. In addition orders from major US server manufacturers have begun to ship in the first quarter, and other new parts are also being actively negotiated. Despite, the company's stock price is affected by the international slump stock market, anyway the market will eventually return to basic fundamental. Thank you for your always support for Jinpao.

1. The 2019 Annual Operating Report

(1) Business result

Unit: Millions NT\$ (Except EPS)	2018		2019		Variance (+/-)	
	amount	Percentage to revenue	amount	Percentage to revenue	amount	Percentage
sales revenue	1,218	100.00%	1,438	100.00%	220	18.06%
cost of sales	805	66.09%	991	68.82%	186	23.11%
gross profit	413	33.91%	446	31.03%	34	8.25%
Operation revenue	176	14.45%	136	9.46%	-40	-22.73%
Net income before tax	174	14.29%	105	7.31%	-69	-39.66%
Net income	146	11.99%	91	6.33%	-55	-37.67%
Shares (Millions)	39.46		43.66			
Earnings per share (NT\$)	3.74		2.31		-1.43	

In 2019, due to the acquisition of two French subsidiaries caused to the company's sales increasing approximately 17.98% in aerospace and communications products which made revenue increased from 1.218 billion to 1.437 billion. However owing to personnel turnover together with some machinery in maintenance of these French subsidiaries, the sale revenue didn't reach the break-even so gross profit margin decreased by 2.88 percentage points to 31.03%. The operating expenses compared with the year of 2018 were also increased due to the merger with the French subsidiary, mainly in salaries, M&A expense and performance improvement etc. Affected by the Sino-U.S. Trade dog-wars, the company's operating expenses and non-operating losses increased. Thus, after-tax net profit decreased by 55 million compared with previous year, the annual growth rate was -37.67%, and the basic earnings per share was NT\$2.31.

(2) Budget execution result: According to current law, the company had not prepared any public disclosure of financial forecasting.

(3) Asset structure and employee number

Unit: Millions NT\$	2018	2019	Variance (+/-)
Cash from operating activities	221	140	-81
Total assets	2,512	3,320	808
Fixed assets (net amount)	1,369	1,530	161

gross liability	895	1,422	527
shareholders' equity	1,596	1,878	282
Employee statistics	1,157	1,188	31

Operation cash flow had declined NT\$81 million due to the profit before income tax reduction decreased, other current assets increased and the amount of accounts payable increased compared with last year. Besides, organization and executives showed little difference and the employee number had increased by 31 people.

The increase in total assets was also due to the projects of capital increasing and unsecured convertible corporate bond issuance at the end of 2019, resulting in cash increasing.

## 2. The 2020 Business Plan

The company's two major products are aerospace and communication; however aerospace products have been fully delayed due to customer requested. In the fields of communications, owing to the drastic changes in life habits around the world, off-site office, remote teaching, and off-site backup have become mainstream of life. Furthermore, the advent of the 5G era, the demand for servers, communication cabinets, and network infrastructure has increased significantly. The company's long-cultivated communication cabinet and server data cabinet (Rack) products have blossomed in the first quarter of this year. It is officially mass-produced and shipped to world-renowned American e-commerce customers. Besides, it is currently in talks with another world-class US Netcom company. This year's main focus will continue to move forward in the direction of communications and server cabinets.

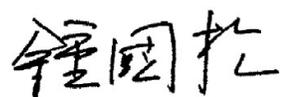
## 3. Influences on the future plan by exterior competitive environment, law environment and overall operation environment

The trade dog-war of Sino-U.S. began in 2018, followed by the outbreak of Covid-19 pneumonia in early 2020, and the lockdown cities around the world caused the supply chain to be interrupted. During this period, conflicts, divergences caused to opposing barriers strickly. In March this year, reaching the pandemic level after announced by the World Health Organization (WHO), in line with a slump global economy, the decline of the stock market and the collapse of oil prices. Up to now, the impact of the epidemic on Thailand estimated in three aspects; tourism, export and domestic consumption, according to the Thai SCB bank think tank EIC released a report in late March, it is estimated that the serious outbreak will cause Thailand 's GDP in 2020 to fall from 1.8% to- 0.3% (% YOY). In addition to adopting a series of rigorous anti-epidemic measures to ensure normal operation in response to the epidemic, the company has adjusted and improved its product portfolio in this area to couple with the rise of business opportunities in e-commerce, housing economy, Netcom and AI around the world in order to keep profitability, as well as pay

attention to the future development of the epidemic situation at any time, adopt corresponding policies and solutions, hope to successfully overcome this difficult time.

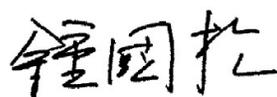
Chairperson:

CHUNG, KUO-SUNG



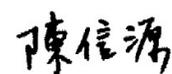
General Manager:

CHUNG, KUO-SUNG



Finance Manager:

CHEN, HSIN-YUAN

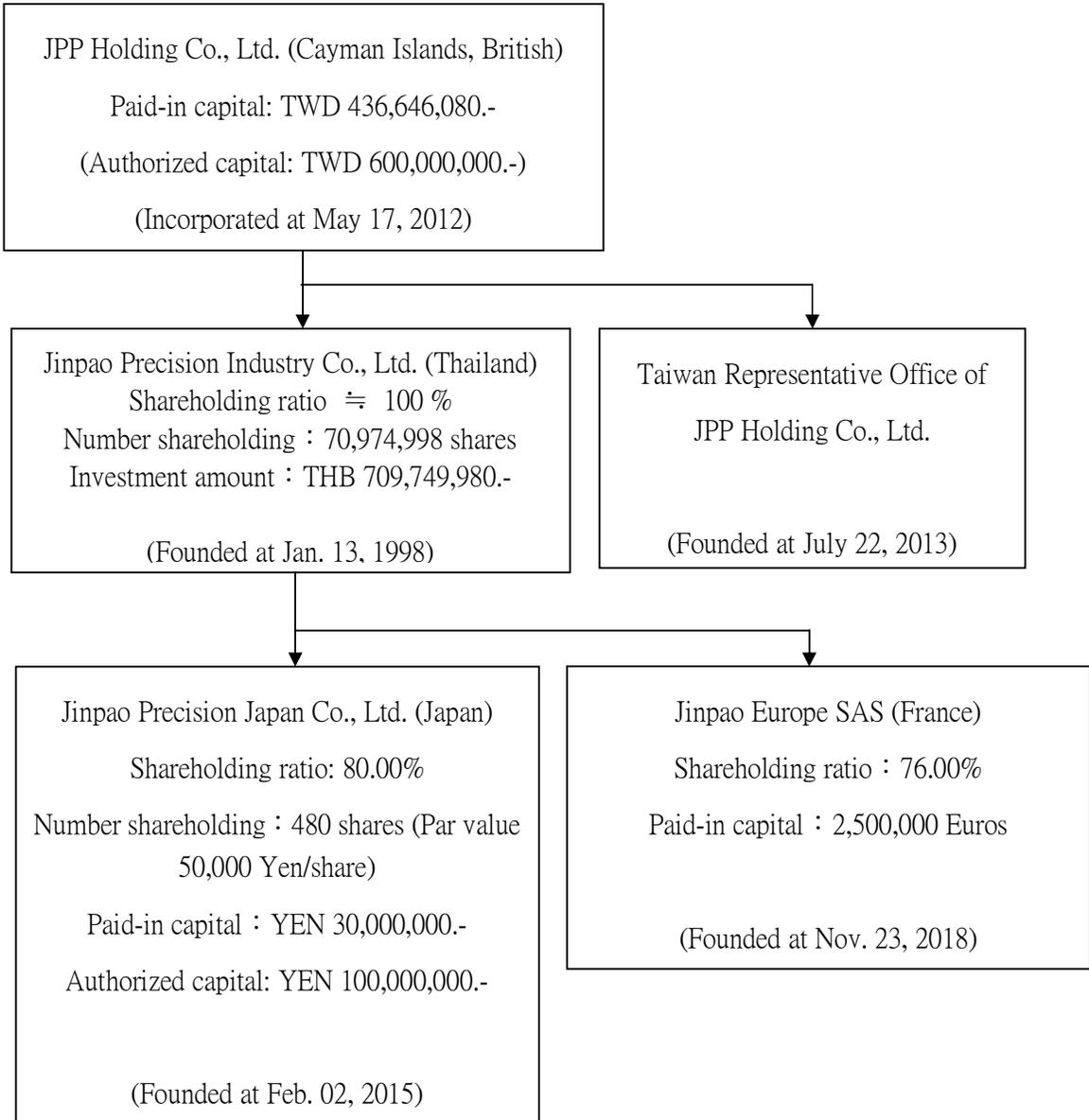


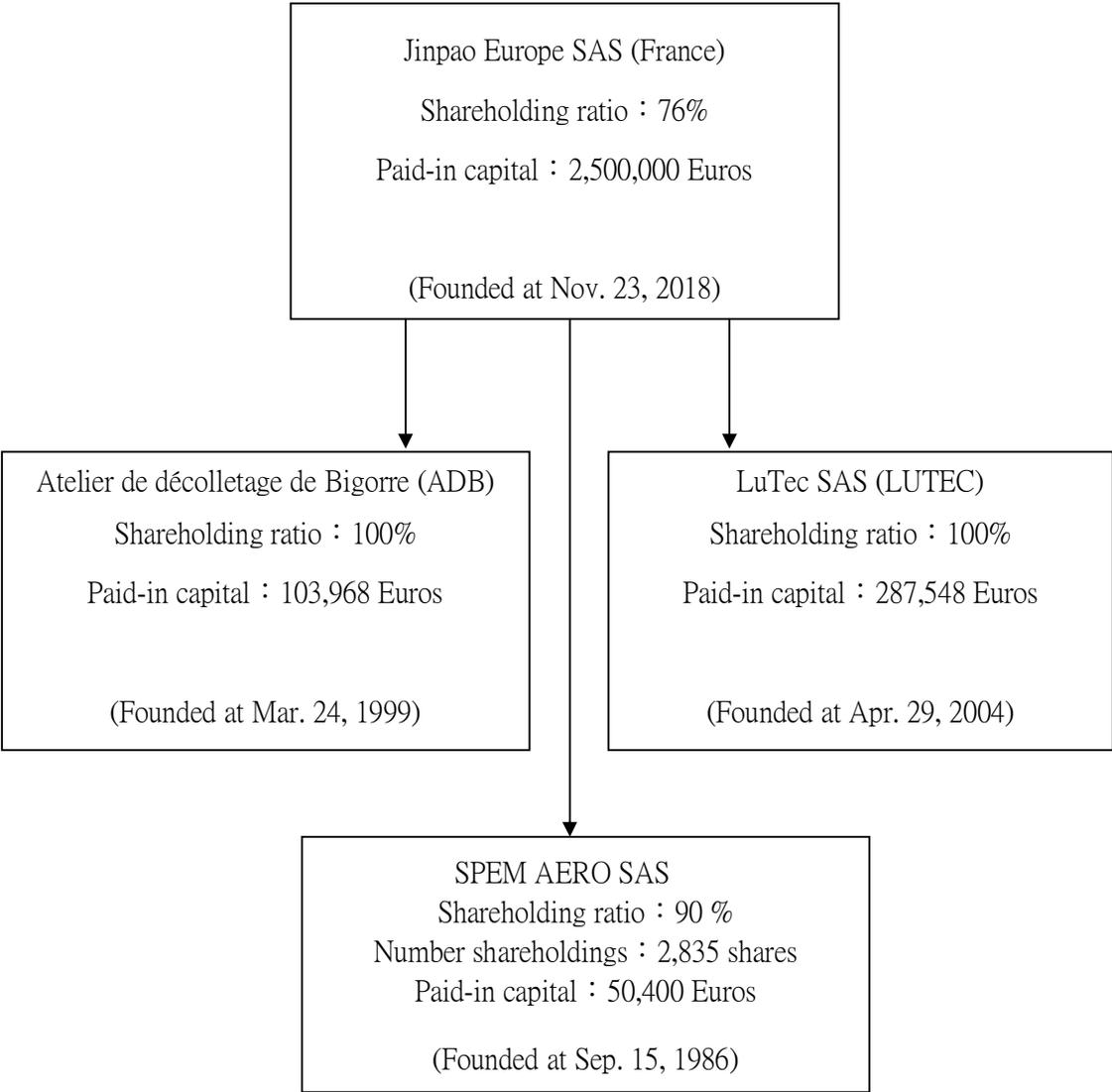
## II. COMPANY PROFILE

### 1. DATE OF INCORPORATION AND GROUP INTRODUCTION

JPP Holding Company Limited (abbreviated as “JPP Holding” or “The Head Company” hereafter) was incorporated at Cayman Islands, British on May 17, 2012. The primary subsidiary company is the Jinpao Precision Industry Co., Ltd. (abbreviated as Jinpao (Thai) hereafter) The main business is the production of customized precision CNC sheet metal of small volume , for template use, for pilot run, and no need to use the mold. Primary applications are electrical, telecommunication and niche (including food inspection, medical, communication, recreation and aerospace application) products.

### 2. GROUP STRUCTURES





### 3. ADDRESSES AND PHONE NUMBERS OF HEAD OFFICE, BRANCH OFFICES AND FACTORY

1. The Head Company: JPP Holding Company Limited  
Address: 190 Elgin Avenue, George Town, Grand Cayman KY1-9005 Cayman Islands  
The Representative Office Taiwan Address: Rm. 1112, No. 152, Songjiang Rd., Zhongshan Dist., Taipei City 10458, Taiwan (R.O.C.)  
Tel: +886-2-2541-5566
2. The Subsidiary in Thailand: Jinpao Precision Industry Co., Ltd.  
Address: 631 Soi 12 Moo 4 Bangpoo Industrial Estate T. Phraksa, A. Muang, Samutprakarn 10280 Thailand.  
Tel: +66-2-7093687  
Main business: Design, manufacturing, selling of customized precision sheet metal products
3. Jinpao Precision Japan Company Limited  
Address: Vision Center Nihonbashi Fukushima Bldg. 2F, 1-5-3 Nihonbashimuromachi, Chuo-ku, Tokyo, 103-0022, Japan.  
Tel: +81-3-6869-1099  
Main business: Expansion of Japanese business and after-sales service
4. Jinpao Europe SAS  
Address: Zone Industrielle Pyrène Aéroport, 65290 Louey R.C.S. TARBES FRANCE  
Tel: +33-5-62 45 63 80  
Main business: Holding company with 100% shares for two French aerospace precision milling machine companies, Lutec SAS and Atelier de décolletage de Bigorre (ADB).
5. Atelier de décolletage de Bigorre (ADB)  
Address: Zone Industrielle Pyrène Aéroport, 65290 Louey R.C.S. TARBES FRANCE  
Tel: +33-5-62 45 63 80  
Main business: Metal milling specialist.
6. SAS LuTec  
Address: 27 Chemin Lou Tribail Zone Artisanale de Toctoucau CESTAS, 33610  
Tel: +33-5-62 45 63 80  
Main business: Metal milling specialist.
7. SPEM AERO SAS  
Address: 6 rue Castelmouly, 65200 BAGNERES DE BIGORRE.  
Tel: +33-5-62 91 32 32  
Main business: Aerospace surface treatment and industrial painting service

#### 4. A BRIEF HISTORY OF THE COMPANY

B.C.	History
1998	<ul style="list-style-type: none"> <li>▶ Company establishment in Jan, for hard tooling design and manufacturing.</li> <li>▶ Registered capital of 10m Thai Baht (par value of 100 Thai Baht)</li> </ul>
2001	<ul style="list-style-type: none"> <li>▶ Capital increase of 10m Thai Baht (capital = 20m Thai Baht)</li> </ul>
2002	<ul style="list-style-type: none"> <li>▶ Purchased first CNC punching and bending machines, penetrated HMLV product area.</li> </ul>
2003	<ul style="list-style-type: none"> <li>▶ Capital increase of 40m Thai Baht (capital = 60m Thai Baht)</li> </ul>
2004	<ul style="list-style-type: none"> <li>▶ Capital increase of 40m Thai Baht (capital = 100m Thai Baht)</li> <li>▶ Purchased 14.58 rai (23,328 sqm) of land on May to build phase 1 facility</li> </ul>
2005	<ul style="list-style-type: none"> <li>▶ BOI approves investment incentives for Tooling and Precision Parts project on Apr</li> <li>▶ Phase 1 facility completed on Oct</li> </ul>
2006	<ul style="list-style-type: none"> <li>▶ ISO9001 certified on Aug</li> <li>▶ Capital increase of 50m (capital = 150m Thai Baht) on Oct; Launch Phase 2 expansion</li> </ul>
2007	<ul style="list-style-type: none"> <li>▶ Phase 2 expansion completed on Aug. added Painting, silk screen and welding capability</li> </ul>
2008	<ul style="list-style-type: none"> <li>▶ Capital increase of 30m Thai Baht (capital = 180m Thai Baht) on Aug</li> <li>▶ ISO14001 certified on Aug</li> <li>▶ BOI approved investment incentives (electrical products, electronics, health-care, and industrial products) on Sep. with 3-year tax exempt</li> </ul>
2009	<ul style="list-style-type: none"> <li>▶ Sur Tec 650 Chromit AL® TCP certified on Jun</li> <li>▶ Acquire 8.34 rai of land (13,344 sqm) on Aug for Phase 3 expansion</li> <li>▶ Telecom outdoor enclosure product certified by TOT</li> </ul>
2010	<ul style="list-style-type: none"> <li>▶ TUV TS16949 (Automotive) certification on Jan</li> <li>▶ AFNO AS9100 (Aerospace) certification on Mar</li> <li>▶ Started to penetrate niche markets like as aerospace, food inspection and health-care products</li> </ul>
2011	<ul style="list-style-type: none"> <li>▶ PDM went live on Jul</li> <li>▶ ERP went live on Aug</li> <li>▶ Phase 3 expansion (aerospace products and smart digital factory) on Aug</li> <li>▶ Capital increase 120m Thai Baht (capital = 300m Thai Baht) on Sept</li> </ul>
2012	<ul style="list-style-type: none"> <li>▶ BOI approved investment incentives (telecom and aerospace) on Jan and Feb respectively, and of 8 yrs tax exempt and another 5 yrs 50% off.</li> <li>▶ Phase 3 expansion completed on Jul</li> <li>▶ Resolution for going public to stock market Taiwan and registered to adopt FA from underwriter on Jun.</li> </ul>

B.C.	History
	<ul style="list-style-type: none"> <li>▶ Change par value to 10 Baht on Oct</li> <li>▶ Premium capital increase of 5m shares (capital = 350m Baht) on Nov</li> </ul>
2013	<ul style="list-style-type: none"> <li>▶ Telecom outdoor enclosure products certified by AIS and going to mass production</li> <li>▶ Established 1st European subsidiary (Belgium) on March</li> <li>▶ Pre-IPO shares restructuring completed on Jun (listing entity “JPP holding” going to share-swap with operation entity “JP-Thailand”)</li> <li>▶ Premium capital increase of 10m shares (capital = 450m Baht) on Sep</li> <li>▶ “JPP holding” going to premium capital increase of 6,666,666 shares (capital = 300m TWD) on Oct</li> </ul>
2014	<ul style="list-style-type: none"> <li>▶ A Board Meeting of GTSM held on the July to approve an application from the company for listing in GTSM securities market Taiwan.</li> <li>▶ A cash capital increasing by issuing new ordinary share with 3,750,000 shares successfully (capital to be as TWD 337.5 M).</li> <li>▶ The company shares were initial public offering, listing and being transacted successfully in the securities markets Taiwan which her share code registered as be no.: 5284.</li> <li>▶ In November, Jinpao to be accredited with a Nadcap Certificate in the field of Non-Destructive Testing by the Authority of SAE.</li> </ul>
2015	<ul style="list-style-type: none"> <li>▶ Established a subsidiary at Tokyo in February</li> <li>▶ For Signing Ceremony of a MOU to corporation with Labor Department of Thailand to develop technician education of the nation.</li> <li>▶ Jinpao to be granted and awarded with “Green Star” by Industrial Estate of the Authority Thailand on September</li> <li>▶ Issuing 1st local convertible bond TWD 200M in market Taiwan on October</li> <li>▶ Premium capital increase of 2.3m shares (capital=360.5m NT dollars) on November</li> <li>▶ In December, Jinpao to be accredited with a Nadcap Certificate in the field of Chemical Processing by the Authority of SAE.</li> <li>▶ In additional, Jinpao to be accredited with a Nadcap Certificate in the field of Welding by the Authority of SAE.</li> </ul>
2016	<ul style="list-style-type: none"> <li>▶ Jinpao accredited with more Nadcap Certificates in relative item of Spot Welding, Seam &amp; Projection by the Authority of SAE on April.</li> <li>▶ More land about 30.81 rai (49,296 sq m) and factory 13.11 rai (20,976 sq m) were procured from Philips Thailand for expansion purpose on July.</li> <li>▶ Jinpao passed to migrate in the Taiwan stocks exchange market on a meeting held on Nov.</li> <li>▶ Jinpao granted by the President of Republic of China (Taiwan) with the 18th Outstanding Overseas Taiwanese SMEs Award on October.</li> <li>▶ The Company Managing Director Mr. Chung Kuo-Sung and Vice MD Ms. Kuo Hui-Ling rewarded by the Vice President of Republic of China (Taiwan) with the 25th Selection of Model Taiwan and Overseas Entrepreneurs Award on December.</li> </ul>

B.C.	History
2017	<ul style="list-style-type: none"> <li>▶ The Board of company resolved and approved an application for migration from OTC to major stock market of “TWSE” on a meeting held at January.</li> <li>▶ For Ceremony of the Company to be transacted and migrated officially in the Taiwan Stocks Exchange Market out of OTC on the 9th of March.</li> <li>▶ Being a project to acquire the Philips Thailand property, Jinpao granted tax incentives by BOI with (1) Aerospace products for 8yrs’ exemption, (2) Auto Machine products for 5yrs’ exemption and 1yr 50% off in a row.</li> <li>▶ Phase 4 factory expansion (for aerospace anodize treatment) kicked off on October.</li> <li>▶ The Board resolved and approved a solar PV power rooftop project on October which costs 28.4 M Baht for a grid system 993.6 kWp power plan.</li> <li>▶ The Board resolved and approved for procurement a land of 54 Rais in the Eastern Economic Corridor (EEC) for collaboration to Thai Industry 4.0.</li> </ul>
2018	<ul style="list-style-type: none"> <li>▶ Grandly held the 20th Anniversary Celebration and Year-end Staff Sports Conference on Feb.</li> <li>▶ In August, Jinpao was awarded the 2018 Corporate Social Responsibility Award (CSR-DIW Award) by the Ministry of Industry of Thailand.</li> <li>▶ In September, the Company signed the Share Purchase Agreement to formally acquire ADB and LuTec, two France aerospace professional precision milling companies.</li> </ul>
2019	<ul style="list-style-type: none"> <li>▶ The Minister of Oversea Community Affairs Councils, ROC (Taiwan) Mr. Hsin-Hsing Wu visited Jinpao Company on Jan 9.</li> <li>▶ The first Jinpao Cup of National Automation Contest in Thailand was held by the Company on March 9.</li> <li>▶ The Jinpao Company of Thailand jointedly with her French subsidiary as of a manufacturing supplier to co-participate in the Paris Air Show Franch on the 17 to 23 of June.</li> <li>▶ To launch the phase V project of construction new Spray Paint Factory on current area of lane No. 11 on November.</li> <li>▶ Issuing 2nd domestic convertible bond TWD 200M in TPEx market on November 28.</li> <li>▶ Capital increasing by 4.2M new ordinary shares in premium (capital=436.64M Baht) on December 23.</li> </ul>
2020	<ul style="list-style-type: none"> <li>▶ To hold a closing ceremony of M&amp;A transaction (acquired SPEM Aero SAS) at La Ferme de Pinot, musée Aéroscopia on January 7.</li> </ul>

## 5. Risk Management

The company's registration country is Cayman Islands, British, which have no substantial economic activities and is not more than our group's registration location. Held by the holding company, Jinpao Precision Industry Co., Ltd. is mainly operated in Thailand for production and sale of customized precision CNC sheet metal of small amount, for template use, for pilot run, and no need to open the mold.

From here risk management items are addressed for overall economic environment, change in economics and political environment, relevant decree, exchange control and tax, and the admittance for judgment effectiveness by Taiwan's civil court for Cayman Islands, British and Thailand.

Registration country: Cayman Islands, British

### A. overall economic environment, change in economics and political environment

Cayman Islands are the British United Kingdom's oversea territories in West Indies, located in Caribbean Sea 167 miles northeast to Jamaica and 460 miles south to Miami. Cayman Islands have been long-time stable politically, and the capital George Town locating at Grand Cayman is the center of administration, commerce and finance, and its main source of income is the financial service industry and the tourism industry. Cayman Islands are one of main financial centers in the world, and English is the official language. Companies registered at Cayman Island are categorized in 5 groups: ordinary company, ordinary non-resident company, exempted company, exempted limited duration company and foreign company. JPP Holding Company Limited belongs to the exempted company unable to operate locally and mainly used for financial plans for countries and persons.

Besides, the Cayman Islands government has reinforced the reputation of offshore financial operation actively, and approved of Mutual Legal Assistance Treaty with the U.S. to deal with international crime organization using local financial system for illegal trades. Cayman Islands also accepted demands by international treaties such as VCLT(1988) and Palermo convention (2000) to make money laundering guilty, and to stop illegal practices like money laundering through Proceeds of Crime Law (2004 revision), Money Laundering Regulations (2005 revision), and The Anti-Corruption Law(2004 revision).

To sum up, JPP is nothing more than holding company registered at Cayman Islands, British, which is exempted company and has no operation activities locally. Since Cayman Island has been long-time politically stable and is the world's top-five financial center, in light of its overall economic environment and change in economics and political environment, there should be no material risk to affect the company operations.

### B. exchange control, tax, relevant decree

Cayman Islands have no exchange controls, and do not collect taxes on revenues, incomes, or value-increments for any individual, cooperation or trust industry, including estate tax. Apart from stamp tax, there are no other major taxes to the company imposed by Cayman

Islands' government. Transferring shares of Cayman Islands will not be necessary to pay for stamp tax, but will be for those having equity in Cayman Island.

Cayman Islands' company law demands that local companies must establish Memorandum of Association to address the company name, the registration address, and capital structure, but do not force to demand for establish any articles of incorporation. In reality, companies refer to First Schedule Table A to establish the articles of incorporation; hence the company has obeyed all decree regarding company structures and company laws. Yet, laws are not always the same for the Cayman Islands and R.O.C., and the company has followed R.O.C decree and will revise the articles of incorporation within the limitation of Cayman Islands laws. As for items not mentioned in articles of incorporation, the company will be based on the Cayman Island decree and the R.O.C. decree issued to be applied by foreigners to protect Taiwan investor's rights. However, the protection may somehow be different from companies established according to Taiwan's decrees.

C. the admittance for judgment effectiveness by Taiwan's civil court

(A) Risk of litigation claiming

The company has appointed the agent for litigious and non-litigious matters according to rules of Taipei Exchange. However, upon receiving litigation from R.O.C. courts by investors, the court will judge on the jurisdiction depending on the case, or even demand the investor to explain case-related foreign decree, so it cannot be guaranteed that all cases can obtain judgment on the merits at Taiwan courts.

(B) Risk of judgment recognition and execution

Although Cayman Islands laws have not explicitly show that judgment made by the R.O.C. courts must be executed at Cayman Islands, the Cayman Islands' courts will recognize and execute the foreign (including Taiwan) judgment made by the court with judicial jurisdiction based on the principle that foreign court with judicial jurisdiction has to demand the debtor to pay what he/she should pay according to the judgment. But the related judgment must be the final judgment, and not be payment such as tariff or analogous obligation, penalty or fine, and the acquisition and execution of the considered judgment may not contradict with public policy of Cayman Islands. Under certain conditions, the Cayman Islands courts can expand the remedy type for a case judged by foreign courts and should be executed in Cayman Islands to judgment besides payments, which can be forced fulfilling orders, declaration orders, and injunction.

Since the company is the exempted company registered at Cayman Islands, British, although the company's by-laws explicitly assume the admittance of Cayman's company act, the company's articles of incorporation do not interfere the shareholders to file a lawsuit toward the jurisdiction court upon that shareholders meeting's convene procedures or resolution means are against relevant decree or articles of incorporation within 30 days from the resolution. The company's articles of incorporation explicitly

show that disputes regarding the said lawsuit reason could refer to Taiwan Taipei District Court as the litigation jurisdiction court. But if the said lawsuit is filed to the court in Cayman Islands, the court will judge on whether it has the jurisdiction, and if the said judgment is affirmative, the said court will have all the rights to the remedy decision. The company act of Cayman Islands does not have regulations allowing that shareholders can take derivative actions to directors at Cayman Islands local court. The company's articles of incorporation are not contrast between shareholders and directors, but treaties among shareholders and the company. Therefore, even the articles of incorporation allow shareholders to take derivative actions to the director, according to the Cayman Islands laws; such articles of incorporation cannot constrain the director. But in the regular law in Cayman Islands, all shareholders have the rights to take derivative actions (including to the directors) regardless of their share-held proportions or holding period. Once the shareholder files it, it will become the Cayman Island court to decide whether the shareholder could continue on the lawsuit. Furthermore, even though the company articles of incorporation regulate that some shareholders (or shareholders with necessary share-held proportions or holding period) could file lawsuit to the directors on behalf of the company, whether or not said lawsuit can proceed is dependent on the decision made by the Cayman Island court. Based on relevant judgments made by the Cayman Island court, the criteria applied for admitting to proceed with the derivative action is whether the Cayman Island court believes and accepts that the demands the plaintiff on behalf of the company required appear to have substantive, whether the illegal action the plaintiff claims was taken by someone being capable of controlling the company, and whether the said someone could let the company not file a lawsuit to him/her/them. The Cayman Islands court will make judgment based on the case facts (The Company's articles of incorporation might be referred to by the court but are not decisive)

D. whether Taiwan can extradite the defendant for stand trial

The company's registration location Cayman Island's securities supervisor had signature on "IOSCO MOU", thus the Taiwan Financial Supervisory Commission could demand securities supervisory authority at Cayman Islands based on said MOU to provide relevant documents including but not limited to that sufficient to reconstruct all trading records related to securities and derivatives (including bank and account records for all capital and assets transfer), yet the MOU did not include regulations regarding to extradition, so Taiwan has no right to extradite the defendant back to Taiwan based on the MOU. Sequentially, there are no signature on Agreement on Mutual Legal Assistance in Criminal Matters among Taiwan and Cayman Islands. In sum, Taiwan may face the risk not being capable to extradite the defendant back to Taiwan for stand trial.

E. Law difference between Taiwan and Cayman Islands

The company was established according to the Cayman Islands laws and had been listed in R.O.C. and had revised articles of incorporation to fit the relevant R.O.C decrees to protect shareholders' rights. For items not addressed in the articles of incorporation, the company deals them with relevant Cayman Islands decrees and adapted R.O.C. decrees. The R.O.C. and Cayman Islands decrees have many differences for company operation regulations. The investors are suggested to understand the differences and ask for experts' help if they need it for whether there are any rights cannot be obtained when investing the company in Cayman Islands, not just use the point of view of rights protection when investing company in Taiwan for invested company in Cayman Islands. Nevertheless, the differences among decrees in the Cayman Islands and those in Taiwan may still lead to conflicts upon law-adaption or doubtful interpretation. Regarding the conflicts upon law-adaption or doubtful interpretation may still have to be resolved by court judgments. It is advised that if the investors demand the Cayman Islands to execute judgment made by R.O.C., or file lawsuits to the Cayman Islands courts or implement relevant rights, the Cayman Islands courts will not certainly be able to recognize decree and trade practices of R.O.C. (include but not limited to the share transfer and shareholder's records), so risk could be arose accordingly.

#### F. Shareholder's equity

The company's works should abide by articles of incorporation, the company act (and its revisions) and the regular laws in the Cayman Islands. Rights demanded by shareholders to directors, litigating rights of some shareholders and duty of loyalty subjected to directors based on laws of the Cayman Islands are mostly under regulations of regular laws of the Cayman Islands. The regular laws of the Cayman Islands are partly originated from relatively limited precedent case decisions from courts of the Cayman Islands and the regular laws of British. The case decisions and the regular laws of British have influences on courts of the Cayman Islands, but have no force of constraints. Compared to other countries' written laws or precedent case decisions, shareholders' rights and directors' duties of loyalty regulated by the laws of the Cayman Islands are relatively less precise and clear.

The company is established based on the law structure of the Cayman Islands. Therefore, shareholders could possibly not being able to demand the judgment with the opposite party being the company, part or all directors or executives to be executed in countries outside the Cayman Islands. Shareholders may also not be able to deliver to or execute upon the company's directors or executives the judgment, which is made by the court of the shareholders' locations based on civil liability regulated by the Securities Laws, at country of their locations. If the company's directors or executives are residents of the country other than that having the judgment made, it is also not guaranteed that the shareholders can execute the civil and commerce judgment with the opposite party of the mentioned directors and managers.

The company had obtained explanations by the Cayman Islands lawyers that in the Cayman Islands laws, there are no specific definition of “the directors”. Essentially, “the directors” refers to people having ultimate responsibilities for the company’s business, while sometimes the following can also be referred to as “the directors”.

(A) “Executive” and “Non-Executive” directors

The executive and non-executive directors have no substantial difference in terms of their legal obligations. To what extent can non-executive directors be dependent on executive directors have no certain specifications in current law. Such dependency is not absolutely undoubted, and the non-executive directors should assume responsibilities for supervision and control.

(B) “Legal” or “Virtual” directors

The legal executives are effectively assigned executives, while those practice the directorial tasks but have no effective assignation can be considered as the virtual directors and they will thereafter assume responsibilities of the directors.

(C) Shadow directors

Shadow directors refer to one whose commands or instructions are obeyed by the company directors. Different from legal or virtual directors, shadow directors do not call themselves or explicitly claim to be the company directors. Oppositely, most of them do not pose as the directors, but direct the company director to carry out the company works. Anyone will not become the shadow directors just because that the company directors act according to their opinions based on their profession. The shadow directors assume same responsibilities as the company directors.

(D) “Dummy directors”

As the word implies, the dummy directors execute the works as the third party. The dummy directors are also used to imply individuals working as directors of many corporations to receive annual fees. However, the dummy directors should assume the responsibilities of directors as the individuals, no matter whether they represent the third party.

Responsibilities for the company for directors based on the Cayman Islands laws can be roughly divided to the responsibility for the regular laws (i.e., professional skills, responsibility of taking care and diligence) and the duty of loyalty. But the directors also assume legal obligation based on other laws and assume the responsibility for third parties (for example, creditors) under certain conditions. If the company is considered to or has the likelihood of incapability of liquidation, the directors should take the creditors’ interests into consideration upon carrying out their responsibilities.

The (revised) company act of the Cayman Islands stipulates many concrete legal obligations for administrative management of company internal, registration and filing.

The Cayman Islands laws also prohibit fraudulent trading, though it is not the responsibility to be assumed by directors. More specifically, in company dissolutions, if it is revealed that executions of the company works have objectives of intention to deceiving creditors of the company or other parties, or fraud, the court must demand those who understand that the executions of the company works have objectives of fraud to be liable to pay for the company's assets. In general, the directors will be those who understand that the executions of the company have objectives of fraud, so they will be potentially liable to pay as the executions of the company works having the objectives of fraud. For directors violating their legal obligations, specific Cayman Islands laws stipulate regulations of fining. (Usually fine, imprisonment, or the cumulating of fine and imprisonment)

During company liquidation, improper applications of company capitals, improper behaviors or perfidy will lead to assuming individual responsibility for the directors. Besides, in company liquidations, any party (including the directors) could possibly assume the individual responsibility for understanding the executions of company works have objectives of fraud, and could possibly be liable to pay for company assets based on court adjudications. Responsibilities for violation of the regular laws and duties of loyalty include compensation for damage, restoration of company assets or refund interests gained from violating the obligations.

If statements in prospectus or other offering documents are false, misleading or concealing, the directors would possibly be liable to pay for those acquiring shares correspondingly and suffering losses.

However, the directors are exempt from liability if they can show to the court that upon providing the prospectus/offering documents, the directors have obtained reasonable assurance that the contents in the documents are true and not misleading (or concealing parts leading to losses are necessary omissions) though reasonable inquiries, and (1) the said reasonable assurance of the directors continued until the investors obtain the shares, (2) the potential investor had obtained the shares before letting them to pay attention to relevant statement revisions by reasonable and practical means, or (3) the directors had confirmed that the potential investors pay attention to statement revisions with all means considered reasonable before the potential investors obtained the shares.

The directors do not have to assume responsibilities for profession statements in prospectus/offering documents if the statements have acquired agreement from professionals and the directors have reasonable assurance that such professionals have the ability on making such statements.

Registration country: Thailand

A. overall economic environment, change in economics and political environment

Thailand locates at the center of Indochinese peninsula and is bordered to the southeast by Cambodia, to the south by Malaysia, to the west by Myanmar, to the northeast and north by Laos, and faced to Gulf of Thailand to the south and to Indian Ocean to the southeast, which is viewed as at an important strategic position. The Thailand area is 513,120 km<sup>2</sup> and of a long and narrow shape having longitudinal length of 1,620 km and lateral length of 775 km. The capital and the largest city is Bangkok, with a population of 8.25 million. As of Mar. 12, 2014, the Thailand population was 70.58 million, with male 34.68 million for 49.1% and female 35.90 million for 50.9%. The main ethnic group is Thai, and others include Chinese, Malay and Indian. The official language is the Thai, and other spoken languages include Chinese, English and Bahasa Melayu.

Original being an agricultural country, application of open policy from late 80s had attracted foreign capitals, and economic growth is rapid from great investments for more than ten years, yet over investment and poor financial management resulted in unbalance of production and sale and brought about the financial crisis in 1997, making Thai and foreign corporations to cut or cancel investment to Thailand. After years of rectification, Thailand economy gradually turned back to normal, industry production and export gradually grew, and the exchange rate went stable. In the middle of 2003, Thailand finally paid out debts to National currency fund executed at the economic crisis, and Thailand government held cautious optimism to the prediction of mid-long period boom. But adverse factors like the global economic distress, domestic political instability, rise in the oil price and baht exchange rate from 2007 disable the economic growth to keep the growing strength from 2003(7.1%) and 2004(6.3%), and the economic growth is only 2.6% in 2008. From 2008, under the influence of political instability from large-scale political protests like the Bangkok Airport occupation by PAD and invasion into ASEAN Summit Conference by UDD, and global financial crisis, GDP in 2009 declined by 2.3%, marking negative growth since the Asia financial crisis in 1997. In 2011, the most severe flood for over 70 years resulted in economic loss of 350 billion Baht and annual economic growth merely 0.1%. Yet, the government actively resolved the flood aftermath and adapted effective economic policy, making the economic growth returned to 6.4% in 2012. In 2013, the political instability affected the credit rating and the occupation of many government institutes for political demonstration by PAD affected the government investment, the exports and domestic demands. On the other hand, many countries announced travel safety warnings to Thailand, affecting the local tourism and private consumptions, the expiration of discount to first-time car purchasing and the massive decline of investment from the private sector resulted in the decline of economic growth rate by 2.9%. In 2014, coup d'état occurred again, and the annual GDP growth decline to 0.9%. In 2016, Thailand annual GDP growth was 3.2%, compared to that in 2015, 2.9%, because of the economic slowdown in primary export markets, domestic consumption was relied on, and the economic growth mainly rooted in government expenditures and

tourism industry. Total application amount of investment in 2017 was 641.978 billion Baht (20.061 billion U.S. dollars), which was not only a rise by 22% to 2016 but way higher than the original objective of 600 billion Baht. From records provided by BOI, all prior annual application amounts were recorded to grow by 5% to 10%. Thus, BOI thought that in 2018 the 12% growth rate objective will be reached, meaning the annual application amounts to hit 720 billion Baht (22.5 billion U.S. dollars). In the 2017 amount of investment application, 61% was used in high-tech and high-value industries like automobiles, electricity, medical tourism, agriculture technology, food technology, robots, aviation, biochemistry, digital technology and medical service. The annual export amount had reached 236.7 billion U.S. dollars with annual increase of 10.5%, which hit record high. At the same time, the annual growth rate of GDP comes to the highest 3.9% among the recent 5 years.

Thailand 4.0: Thailand 4.0 is a 20-year-long country development plan proposed by Thailand prime minister in 2016 executing every 5 years for each development stage, and focuses on knowledge economy and smart industry while emphasizing on the technology, innovation and research and development, and will transfer Thailand from the old production base to innovative research and development and service industry oriented economy. This plan also focuses on two categories of ten objective industries; the first category “core industry of the current stage” applies cutting-edge technologies to add additional value to existed industries, including new-generation cars, smart electronics, high-quality medical tourism, high-effect agriculture and bio-technology, food innovation. The second industry is “prospect industry”, which will develop five future potential new-technology industries on the basis of existed industry, including automatic equipment and smart machine, aviation and logistics, biofuel and biochemistry, Digital Internet of Things and medical care.

East Economic Corridor, EEC: The EEC is the flagship project under the Thailand 4.0 project. Thailand government approved the EEC project on Jun. 28, 2016, expecting to contribute one-fifth of Thailand GDP for petrochemical, energy and automobile industry. The EEC can not only expand the development for Bangkok Baybut connect to the China project “The Belt and Road” and the Japan-initiated “East-West Economic Corridor”. Finally, becoming the center of Indochinese peninsula or even the Southeast Asia, Thailand can secure its position in Southeast Asia though linking the regional large market between East Asia and South Asia AND strengthening the integration for economy and trade

B. exchange control, tax risk

(A) Exchange control

Thailand exchange decree is mainly the Exchange Control Act and other regulations declared by administrative agencies. Thailand Central Bank (TCB) has taken an open stance and policy toward exchanges.

Thailand unbanned the exchange rate control measures executed over an year on Mar.3, 2008, cancelled detainment of 30% reserves for foreign capital imports, and returned

reserves detained before, which helped attract foreign funds. To prevent speculations of Baht exchange rate, TCB implemented the following assistance measures:

- I. Restrict on expats residing in Thai to not have cash in banks with over 0.3 billion Baht.
- II. Divide Baht accounts of expats to NRBA and NRBS. Accounts of the same type can transfer to each other, while those of different types are not allowed to.
- III. Increment of investment quota of Securities and Exchange Commission to 3 billion U.S. dollars to distribute to listed companies and funds management corporations. Under the pressure of appreciating Baht, TCB again announced new deregulation measures for exchanges at end February, 2010, which allowed local businesses to export capitals overseas with no upper limit to facilitate exporters and importers manage currency risks. Such measures of TCB furthermore relaxes Thai investment of foreign stocks, with the objective of developing financial markets, balancing flow of capitals and suppress the pressure of Baht revaluation. In Jun. 2017, TCB deregulated foreign exchange supervise regulations including allowing direct investment at overseas for more Thai people, only resulting in Baht appreciation instead of depreciation. TCB issued a declaration to allow investors with at least 50 million Baht (about 1.47 million U.S. dollars) asset to invest foreign securities directly, and even allow commercial banks to lend Baht to nonresidents for investment at Thailand and greater Mekong sub region. In terms of capital exports, there are no controls over payment for goods, service costs, interest charges or distribution of profits and dividends usages. If demanded and of necessity, Thai companies can invest or provide loans to overseas relation enterprises. Anyone is allowed to purchase overseas real estate up to \$50 million U.S. dollars every year. Institutional investors (for instance, funds, securities firms, listed companies and private corporations with at least 5 billion Baht capital) can invest marketable securities without any limitation. Upon investment for foreign marketable securities with specific investment instruments (including private equity and securities firm) for other investors, there are no limitations but such investment should comply with SEC decrees.

(B) Tax risk

The business entity operating in Thailand is the residence tax-payer, and its charge duty is adapted on the basis of global incomes, hence for companies established according to the Thailand company act, the same way of paying corporate income tax is applied for Thailand resident and offshore income. General corporate income tax rate in Thailand declined to 23% in 2012, to 20% in 2013 and 2014, and remained at 20% in 2015 and 2016. Countries/Regions signed bilateral tax agreements with Thailand add up to 56 countries, wherein “Agreement for the Avoidance of Double Taxation between Taiwan

and Thailand” came into effect since Jan. 1, 2013.

In the end 2016, Thai government proposed attractive tax policies, covering international operation headquarters, international trade companies, and fund-raising center to attract foreign capitals to invest Thailand. Those passed the limitations can adapt to newly-stipulated tax promotion measures. BOI had also provided other non-tax promotion measures for investors to apply. For example, 100% foreign capital investment being enabled, exempt from working visas for local expatriate employees, and enablement for holding estate by foreign capitals. Furthermore, BOI had also provided a variety of promotions for manufacturing and research and development activities including 8 years tax exemption or 5 years half-tax, dividend withholding tax exemption, tariff and business tax exemption, and other non-tax promotions, which are very attractive promotion measures.

(C) Relevant decree

In the beginning of 2009, the dangerous goods responsibility act came into effect, and the act is set to provide suitable remedy for customers buying unsafe goods and suffered lost. Although the company production is not customized product, but since the act is adapted to all product’s manufacturers and suppliers, the company remains to be the target to the act. Under this act, if the customer filed a product safe litigation for the good the company manufactured, sold or imported, and proved that he/she suffered loss from normal use or storage of the good, the company should assume civil responsibility under this act. Thus, the company could face potential risk by effectiveness of the act. Since the Thailand government takes an open stance toward foreign exchanges, it should have no material effects for the capital application. Besides, since the Thailand government wanted to attract the investment from foreign exchanges, it established BOI, set investment promotion decree and lowered the corporate business income tax in recent years, which would all facilitate the overall company operation. Therefore, regulations of the Thailand tax and relevant decree should have no material effect on the overall company operation.

C. the admittance for judgment effectiveness by Taiwan’s civil court

The Thailand laws do not explicitly show admittance and execution of judgments by the R.O.C court, and has not signed any unilateral or bilateral international treaty or agreement for admittance and execution of the judgment by the court of the R.O.C or other countries. Yet since 1918, Thailand had referred to judgment no.585/2461 of Supreme Court of Thailand as the judgment basis. The judgment considers that if the foreign country’s judgment is made by courts with jurisdiction and is the finality of verdict for the substantial issue of the case, the Thailand court should admit that judgment. However, Supreme Court of Thailand also said that the case plaintiff has the right with the basis of the same right of claim to file litigation to the defendant in Thailand. However, since Thailand is a country of

continental law, the judgment no.585/2461 had no case-law effect for inferior courts, and should be only the important indicator for the attitude of Thailand courts for admittance and execution of foreign judgments.

To sum up, the Thailand lawyers consider that it cannot be confirmed whether the Thailand court would admit the civil confirmation judgment by the R.O.C court. Therefore, at Thailand, litigations must be filed for foreign judgments and documental evidences (including conciliation negotiations) rose in the judgment process have Prima Facie evidence capability.

In summary, the company registration country is the Cayman Islands, and the primary operation country is the Thailand, so each business operations should be implemented based on important policies and laws of Thailand, and be aware of the tendency of important policies and changing of laws of Thailand to adjust to market change to take appropriate measures on time. Up to this fiscal year and the publication date of the prospectus, the company had not observed any financial material influences from the changing in the policies and laws of the Cayman Islands, Thailand and Taiwan.

D. Risk analysis of information safety

Analyzing current system and ISA95 standard of the company; for business planning and logistics: ERP, PLM, HR, JODS, BPM, BI, KM, etc., for production manufacturing operation: JSIMS information system, for supervising: AP100, Factory View and V Factory etc., for sensing: CCTV and each sensor has been set up. Expect that each production equipment will not provide external Internet remote connection maintenance normally, other fundamental internet configurations is equipped with firewalls against exterior connections. Besides, for back-up mechanism the back-up machines are installed at different locations, and although different systems have different information security protection level but the objective time of destroying and recovering the target is set to be one hour. The company PC's external hard disk is regulated and through DLP behavior record, reception PC's antivirus software installation procedure, WI operation descriptions are added. For virus pattern updating mechanism, there is an antivirus server center to synchronically update the virus patterns.

6. Nationality and registration places of directors, supervisors, the managers and shareholders holding company shares for over 10% of the total share amounts

Title	Name	Nationality/ Registration location
Director/ Majority shareholder	HO SHENG HOLDINGS CO., LTD.	British Virgin Is.
Corporate representative director	WANG, WEN-SHAN	Republic of China

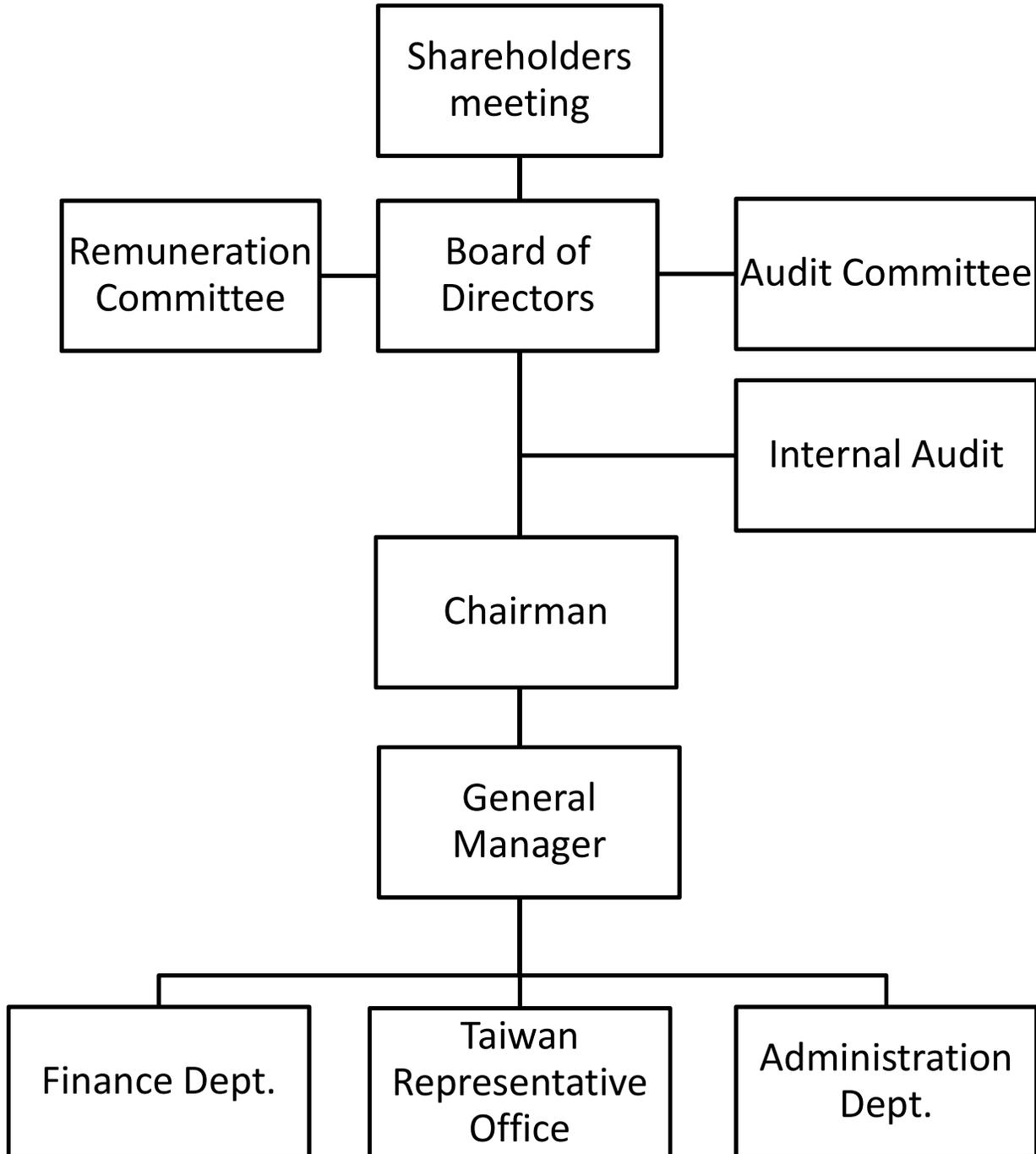
Director/ Majority shareholder	POWELL GROUP CO., LTD.	British Virgin Is.
Corporate representative director/the chairman	CHUNG,KUO-SUNG	Republic of China
Director	BELIEVING POWER CO., LTD.	British Virgin Is.
Corporate representative director/Jinpao(Thailand) vice president	KUO,HUI-LING	Republic of China
Director	WANG, JIA-NAN	Republic of China
Independent director	CHEN, SHIH-CHIN	Republic of China
Independent director	LAI, CHEN-CHU	Republic of China
Independent director	HUANG, YUNG-FU	Republic of China
The Litigation and non-litigious agent and Jinpao(Thailand) vice president	CHUNG, KUO-ZUN	Republic of China
Jinpao(Thailand) vice president	SOMSAK NORVONG	Thailand
Financial and account manager	CHEN, HSIN-YUAN	Republic of China
Administration manager	SARUNYA MANEECHAY	Thailand
Chief Internal Audit	WEN, HONG-RONG	Republic of China

### III. THE CORPORATE GOVERNANCE REPORT

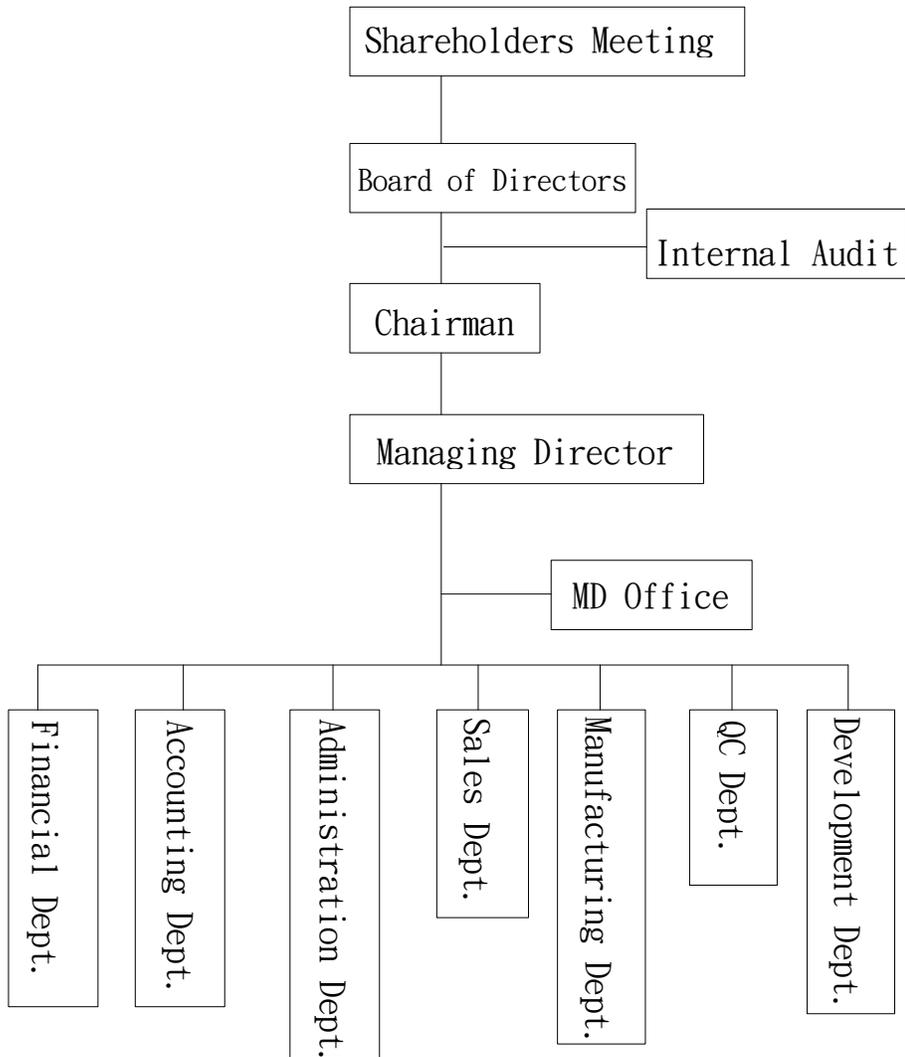
#### 1. ORGANIZATIONAL STRUCTURE

(1) The corporate organization structure

(i) JPP Holding Company Limited



(ii) Jinpao Precision Industry Co., Ltd. (Thailand)



(2) Major operation businesses in each department

(i) JPP Holding Company Limited

Departments	Businesses in charge
Board of directors/ Chairman	Strategy and objective peg for group business operations.
Audit Committee	Supervision for group business and financial status \ fair presentation of financial statements and effective implementation of internal control.
Remuneration Committee	Pegging and regular review on directors and managers' performances evaluations and remuneration policies, systems, standards and structures, and regular review and pegging on remuneration of directors and managers.
Internal Audit	Revisions and executions of internal audit regulations and audit manuals, internal control audit for headquarter and subsidiaries, checking the improvement results, re-examine reports and other audit-relevant items.
General Manager	Receipt of resolution of boards of directors to overall charge of company business.
Finance Dept.	Overall charging of the group financial and accounting items.
Administration Dept.	Overall charging of group planning, administration, corporate governance, general affairs and secretary operations.
Taiwan Representative Office	Investors relationship maintenance, appointing the litigation/non-litigation agent of based on company regulations, and to finish assigned matters from the headquarter.

(ii) Jinpao Precision Industry Co., Ltd.(Thailand)

Departments	Businesses in charge
Board of directors	Strategy and objective peg for group business operations.
Internal Audit	Revisions and executions of internal audit regulations and audit manuals, internal control audit for headquarter and subsidiaries, checking the improvement results, re-examine reports and other audit-relevant items.
General Manager	Receipt of resolution of boards of directors to overall charge of company business.
Administration Dept.	Overall charging of group planning, administration, corporate governance, general affairs and secretary operations.
Accounting Dept.	Processing accounting related items such as accounting and taxation affairs.
Finance Dept.	Planning and executions of financial items
Sales dept.	Development and planning of market business, market research, collection and analysis of business information, planning and execution of business objective, planning and management of product sale and receivables.
Manufacturing dept.	In charge of production planning, execution and supervision, such as products manufacturing, development and equipment maintenance.
QC dept.	Quality control and management of products in charge.
Development dept.	Design, research and development and production of metallic parts and the relevant development for manufacturing and machine equipment.

2. Directors, Independent Directors, President, Vice President, Associate, Managers of Departments and Branch Institutions

(1) Directors and supervisors(the company did not set any supervisors)

Title	Name	Gender	Nationality	First-time Election Date	Election Date	Period	Shares held as elected		Shares held currently		Shares held by spouse, dependent children currently		Shares held in Other's Name		Experience/Educations	Adjunct Occupation at the company or others	Whether there are any manager, director or supervisor who is his or her spouse or second-degree relatives		
							Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage			Title	Name	Relation
Director	Ho Sheng Holdings Co., Ltd.	-	British Virgin Is.	2016.06.17	2019.6.25	3 years	6,173,030	15.64%	6,698,599	15.34%	-	-	-	-	-	-	-	-	
	Representative Wang Wen-Shan	Male	R.O.C	-	-	-	-	-	20,000	0.05%	2,000	0.0%	6,698,599 (Note 1)	15.34%	Hsing Wu Junior college of commerce Rodex Fasteners Corp./Director and President	JPP Holding Company Limited Chiao Pao Metal Co., Ltd., Chairman Director of Ho Sheng Holdings Co., Ltd.	-	-	-

Title	Name	Gender	Nationality	First-time Election Date	Election Date	Period	Shares held as elected		Shares held currently		Shares held by spouse, dependent children currently		Shares held in Other's Name		Experience/Educations	Adjunct Occupation at the company or others	Whether there are any manager, director or supervisor who is his or her spouse or second-degree relatives		
							Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage			Title	Name	Relation
Director	Powell Group Co., Ltd.	-	British Virgin Is.	2016.06.17	2019.6.25	3 years	4,787,779	12.13%	5,195,408	11.9%	-	-	-	-	-	-	-	-	-
	Representative Chung, Kuo-Sung	Male	R.O.C	-	-	-	-	-	10,545	0.02%	-	-	5,195,408 (Note 2)	11.9%	Feng Chia University Department of Industrial Engineering Bachelor Hong Yang Thailand Co., Ltd./Director Compal Electronics /Industrial Engineers	President of the company Director of Hong Yang Thailand Ltd./Director President of Holding Co. Ltd. Powell Group Co., Ltd./Director P.C. Inc./Director Cosmos	Vice President of Jinpao Precision Industry Co., Ltd.	Kuo, Hui-Ling	Husband and wife
Director	Believing Power Co., Ltd.	-	British Virgin Is.	2016.06.17	2019.6.25	3 years	3,783,612	9.59%	4,105,747	9.4%	-	-	-	-	-	-	-	-	-

Title	Name	Gender	Nationality	First-time Election Date	Election Date	Period	Shares held as elected		Shares held currently		Shares held by spouse, dependent children currently		Shares held in Other's Name		Experience/Educations	Adjunct Occupation at the company or others	Whether there are any manager, director or supervisor who is his or her spouse or second-degree relatives		
							Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage			Title	Name	Relation
	Representative Kuo, Hui-Ling	Female	R.O.C	—	—	—	—	—	10,545	0.02%	—	—	4,105,747 (Note 3)	9.4%	Department of Atmospheric Sciences, national central university Master Hong Yang Thailand Co., Ltd./Director Hoo Thai Industrial Co., Ltd./ Director	Hong Yang Thailand Co., Ltd.Director Hoo Thai Industrial Co., Ltd. Director Jinpao Precision (Thai) Director/Vice President Believing Power Co., Ltd./Director Sowing Blessing Co., Ltd./Director	President, Jinpao (Thai) President	Chung, Kuo-Sung	Husband and wife
Director	Wang, Jia-Nan	Male	R.O.C	2013.07.15	2019.6.25	3 years	168,177	0.43%	184,665	0.42%	—	—	—	—	U.S. University of Illinois, MBA Chinese Culture University, Department of Economic, Master CHFRDA /General secretary Mega Management Advisor Co., Ltd. /President Mega Bank Adm. Sec., Center of Asia-Pacific Region Associate/Director Mega Bank (Thailand) /President	The Director of the Company	—	—	—
Independent Director	Chen, Shih	Male	R.O.C	2013.0	2019.6.	3 years	—	—	—	—	—	—	—	—	Graduate council of public finance, National Cheng-Chi University Mega Management Advisory Co. Ltd. /		—	—	—

Title	Name	Gender	Nationality	First-time Election Date	Election Date	Period	Shares held as elected		Shares held currently		Shares held by spouse, dependent children currently		Shares held in Other's Name		Experience/Educations	Adjunct Occupation at the company or others	Whether there are any manager, director or supervisor who is his or her spouse or second-degree relatives		
							Share amount (share)	Percentage	Share amount (share)	Percentage	Share amount (share)	Percentage	Share amount (share)	Percentage			Title	Name	Relation
Director	-Chin			7.15	25									Director Mega Bank/ Vice president Member, National Development Fund Review Panel, Executive Yuan Executive Director, Taiwan Securities Association					
Independent Director	Lai, Chen-Chu	Male	R.O.C	2019.06.25	2019.6.25	3 years	-	-	-	-	-	-	-	Graduate Council of Law, University of Soochow Master Degree. Graded from Magistrate Training Institute of ROC. Former Judge, Banqiao District Court, Taiwan, The Advisor of Taipei County Government, Honorary Lawyer of the SME Division of the Ministry of Economic Affairs R.O.C., Vice Chairman and Executive Director of Proview International Holdings Limited (H.K.), Supervisor of Soaring Technology Co., Ltd.		-	-	-	

Title	Name	Gender	Nationality	First-time Election Date	Election Date	Period	Shares held as elected		Shares held currently		Shares held by spouse, dependent children currently		Shares held in Other's Name		Experience/Educations	Adjunct Occupation at the company or others	Whether there are any manager, director or supervisor who is his or her spouse or second-degree relatives		
							Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage	Share amount(share)	Percentage			Title	Name	Relation
Independent Director	Huang, Yung-Fu	Male	The R.O.C	2013.07.15	2019.6.25	3 years	—	—	—	—	—	—	—	—	Doctor of Management, Department of Industrial Management, National Taiwan University of Science and Technology Lecturer at Fortune Institute of Technology, Department of Industrial Management Lecturer/Vice Professor/Professor at Department of Business Administration, Chaoyang University of Technology Professor/Chairman at Department of Marketing and Distribution Management, Chaoyang University of Technology	Professor at Department of Marketing and Distribution Management, Chaoyang University of Technology	—	—	—

Note:

- 1: Holding indirectly via Ho Sheng Holdings Co., Ltd.
- 2: Holding indirectly via Powell Group Co., Ltd.
- 3: Holding indirectly via Believing Power Co., Ltd.

(1). Directors or supervisors belonged to juristic shareholder should note the name of the representative and his/her main shareholders:

Juristic shareholder's main shareholders:

Apr. 27, 2020

the juristic shareholder's name	His/her main shareholders
Ho Sheng Holdings Co., Ltd. Representative : Wang Wen-Shan	Wang Wen-Shan (75%) 、 Wang Hu -Fen (Wang Wen-Shan's Spouse ; 25%)
Powell Group Co., Ltd. Representative : Chung Kuo-Sung	P.C. Cosmos Inc. (100%)
Believing Power Co., Ltd. Representative : Kuo Hui-Ling	Sowing Blessing Co., Ltd. (100%)

(2) If main shareholder of juristic shareholder is juristic institute, its main shareholders show as below:

The main shareholder list of the juristic shareholders:

Apr. 27, 2020

the juristic shareholder's name	the juristic shareholder's main shareholder list
Sowing Blessing Co., Ltd. (100%)	Kuo Hui-Ling (100%)
P.C. Cosmos INC. (100%)	Chung Kuo-Sung (100%)

(3) Professional knowledge and the independency of directors and supervisors

	5-years Working experience and professional certification			Independency (note 1)										Adjunct positions for independent directors of other publicly issued company
	Lecturer of Business, law, finance, accounting or relevant Department to the company operations at University or colleges	Exam-Certified and Technician of judge, prosecutor, lawyer, accountant or the relevant occupations to the company operations	Working experience for business, law, finance, accounting or relevant position to the company operations	1	2	3	4	5	6	7	8	9	10	
Director Ho Sheng Holdings Co., Ltd. Representative: Wang Wen-Shan			V	V		V	V		V	V	V	V	V	0
Director Powell Group Co., Ltd. Representative : Chung Kuo-Sung			V			V			V	V		V	V	0
Director Believing Power Co., Ltd. Representative: Kuo Hui-Ling			V			V			V	V		V	V	0
Wang Jia-Nan			V		V	V	V	V	V	V	V	V	V	2

Chen Shih-Chin			V	V	V	V	V	V	V	V	V	V	V	V	0
Lai Chen-Chu		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Huang Yung-Fu	V		V	V	V	V	V	V	V	V	V	V	V	V	0

Note 1 : For each directors and supervisors during the previous two years of election or occupation who satisfy the following conditions, please enter check under the following representatives.

- (1)Not an employee of the company or relation corporations
- (2)Not a director or supervisor of the company or relation corporations (not limited to independent directors of the company, or the child company whose parent company directly or indirectly holds shares voting rights for over 50%.)
- (3)Natural shareholders who is not the person, its spouse or by other's name holding share issued by the company which is over 1% to the total amount or the amount of share ranks at top-ten.
- (4)Not the spouse, within second-degree relatives or direct blood relatives within five-degree relatives of those listed in the prior 3 subparagraphs
- (5)Not the director, supervisor or employee of the legal person's shareholder holding issued shares directly for over 5% total share amounts from the company, or not the director, supervisor or employee of the legal person's shareholder who holds shares ranking at top-5.
- (6)Not chairmen (directors), supervisors, managers or shareholders holding share over 5% of specific corporations or organizations with financial or business interactions with the company.
- (7)Not professionals providing business, law, financial, accounting service or counseling for company or relation corporations, individual proprietorship, partnership company or organization's owners, partners, chairmen (directors), supervisors, managers or its spouse.
- (8) Not one with spouse or within second-degree relative relationships with other directors
- (9)Not matching items described in each subparagraph of the article 30 of the Company Act.
- (10)No election by the government, the legal person or its representatives in the article 27 of the Company Act.

(2) JPP Holding Company Limited

April 27, 2020

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by managers of employee's share certifications
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
Director	Chung Kuo-Sung	Male	R.O.C	2013.09.02	10,545	0.02%	—	—	5,195,408	11.9%	Feng Chia University Department of Industrial Engineering Bachelor Hong Yang Thailand Co., Ltd. /Director Calcomp Electronics/Industrial Engineers	Director of Hong Yang Thailand Co., Ltd. Director and President of JPP Holding Co. Ltd. Powell Group Co., Ltd./Director P.C. Cosmos Inc./Director	Vice President of Jipao Precision Industry Co., Ltd.	Kuo Hui-Ling	Husband and wife	—
													Vice President of Jipao Precision	Chung Kuo-Cun	Brothers	

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by managers of employee's share certifications
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
Financial manager	Chen Hsin-Yuan	Male	R.O.C	2013.09.02	2,272	0.01%	—	—	—	—	Institute of Business and Management, National Taipei University of Technology Department of Accounting, National Cheng-chi University Tycoons Group Enterprise(Thailand)/Audit Deputy Manager Golden Bridge Electech Inc./Audit officer	Jinpao Precision Co. Ltd. Financial Manager	—	—	—	—
Chief Internal Audit	Wen Hong-Rong	Male	R.O.C	2015.08.07	15,000	0.03%	—	—	—	—	Graduated Department of Economics at Tamkang University Certified Information Systems Auditor, Taiwan Academy of Banking and Finance	Jinpao Precision Co. Ltd. Internal Audit Chief	—	—	—	—

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by managers of employee's share certifications
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
											Member representative, the Institute of Internal Auditors-Chinese Taiwan Senior Specialist, Audit Officer, Board of Directors, Mega Bank					

(3) Jinpao Precision Industry Co., Ltd.

April. 26, 2020

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by managers of employee's share
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	

		r		ion	Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	certifications
Director	Chung Kuo-Sung	Male	R.O.C	1998.01.13	10,545	0.02%	—	—	5,195,408 (Note. 1)	11.9%	Feng Chia University Department of Industrial Engineering Bachelor Hong Yang Thailand Co., Ltd./Director Calcomp Electronics/Industrial Engineers	Director of Hong Yang Thailand Co., Ltd. Director and President of JPP Holding Co. Ltd. Powell Group Co., Ltd./Director P.C. Cosmos Inc./Director	Vice President of Jinpao Precision Industry Co., Ltd. Vice President of Jinpao Precision Industry Co., Ltd.	Kuo Hui-Lin	Husband and wife	—
Vice President	Kuo Hui-Ling	Female	R.O.C	1998.01.13	10,545	0.02%	—	—	4,105,747 (Note. 2)	9.4%	Department of Atmospheric Sciences, national central university Master Hoo Thai Industrial Co., Ltd./Director Hong Yang Thailand Co., Ltd./ Director	Hong Yang Thailand Co., Ltd. Director Hoo Thai Industrial Co., Ltd. Director Jinpao Precision (Thai) Director/Vice President Believing Power Co., Ltd./Director	President	Chung Kuo-Sung	Husband and wife	—

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by manager's of employee's share certifications
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
												Sowing Blessing Co., Ltd./Director	Vice President	Chung Kuo-Chun	Brother-in-law	
Vice President	Chung Kuo-Chun	Male	R.O.C	2005.08.18	10,851	0.02%	—	—	2,678,920 (Note.3)	6.14%	Institute of Business and Management, National Taipei University of Technology Chemical Fiber Group, Fiber Engineering Division, National Taipei University of Technology Taroko Textile Corp.(Jinan)/Executive Vice President Taroko Textile Corp./Associate, Director	KC Billion Investment Co., Ltd. The director KC Top Investment Co., Ltd. The director	President	Chung Kuo-Sung	Brother	—
													Vice President	Kuo Hui-Lin	Sister-in-law	

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by manager's share certificates
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
Vice President	Somsak Norvong	Male	Thailand	2007.07.02	—	—	—	—	—	—	Mechanical Engineering, National Taipei University of Technology Delta Electronic Thailand PCL / Manager	—	—	—	—	
Chief Financial Officer	Chen Hsin-Yuan	Male	R.O.C	2002.06.18	2,272	0.01%	—	—	—	—	Institute of Business and Management, National Taipei University of Technology Department of Accounting, National Chengchi University Tycoons Group Enterprise(Thailand)/Audit Deputy Manager Golden Bridge Electech Inc./Audit officer	JPP Holding Co. Ltd. Financial Manager	—	—	—	—
Chief Internal Audit	Wen Hong-Rong	Male	R.O.C	2015.08.07	15,000	0.03%	—	—	—	—	Graduated Department of Economics at Tamkang University Certified Information	JPP Holding Co. Ltd. Chief Internal Audit	—	—	—	—

Title	Name	Gender	Nationality	Assume date for current position	Shares held		Shares held by spouse, dependent children currently		Share held by other's name		Experiences/ Education	Adjunct Occupations at other company	Whether there are any manager who is his or her spouse or second-degree relatives			Acquisition by manager's of employees share certificates
					Share amount	percentage	Share amount	percentage	Share amount	percentage			Title	Name	Relation	
											Systems Audit Lecturer, Taiwan Academy of Banking and Finance Member representative, the Institute of Internal Auditors-Chinese Taiwan, Senior Specialist Audit Office Board of Directors Mega Bank					

Note 1 : Holding indirectly via Powell Group Co., Ltd.

Note 2 : Holding indirectly via Believing Power Co., Ltd

Note 3 : Holding indirectly via KC Billion Investment Co., Ltd.

3. Remunerations of directors, supervisors, presidents and vice-presidents

(1) Remunerations paid to directors in the recent (2019) fiscal year

Unit: NT\$/Thousand

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration received by directors who are also employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation on paid to directors from an invested company other than the company's subsidiary		
		Base Compensation (A)		Severance Pay(B)		Compensations from Surplus(C)		Business Execution Fee(D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Dividend from Surplus (G)						
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		The Company	All companies in the consolidated financial statement			
Director	Ho Sheng Holdings Co., Ltd. Representative: Wang Wen-Shan	960	960	0	0	1200	1640	240	240	0.0262	0.0311	240	6071	0	0	0	0	1831	0	0.0289	0.1175	0
Director	Powell Group Co., Ltd. Representative : Chung Kuo-Sung																					



### Range of Remunerations

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statement	The company	All companies in the consolidated financial statement I
Under NT\$ 1,000,000	Ho Sheng Holdings Co., Ltd.(Representative: Wang Wen-Shan), Powell Group Co., Ltd.(Representative : Chung Kuo-Sung), Believing Power Co., Ltd. (Representative: Kuo Hui-Ling), Wang Jia-Nan, Chen Shih-Chin, Lai Chen-Chu, Huang Yung-Fu	Ho Sheng Holdings Co., Ltd.(Representative: Wang Wen-Shan), Powell Group Co., Ltd.(Representative : Chung Kuo-Sung), Believing Power Co., Ltd. (Representative: Kuo Hui-Ling), Wang Jia-Nan, Chen Shih-Chin, Lai Chen-Chu, Huang Yung-Fu	Ho Sheng Holdings Co., Ltd.( Representative: Wang Wen-Shan), Wang Jia-Nan, Chen Shih-Chin, Lai Chen-Chu, Huang Yung-Fu, Believing Power Co., Ltd. (Representative: Kuo Hui-Ling), Powell Group Co., Ltd. (Representative : Chung Kuo-Sung)	Ho Sheng Holdings Co., Ltd.( Representative: Wang Wen-Shan), Wang Jia-Nan, Chen Shih-Chin, Lai Chen-Chu, Huang Yung-Fu
NT\$1,000,000(included) ~ NT\$2,000,000(excluded)				
NT\$2,000,000(included) ~ NT\$3,500,000(excluded)				Believing Power Co., Ltd. (Representative: Kuo Hui-Ling)
NT\$3,500,000(included) ~ NT\$5,000,000(excluded)				Powell Group Co., Ltd. (Representative : Chung Kuo-Sung)
NT\$5,000,000(included) ~ NT\$10,000,000(excluded)				
NT\$10,000,000(included) ~ NT\$15,000,000(excluded)				
NT\$15,000,000(included) ~ NT\$30,000,000(excluded)				
Over NT\$30,000,000				
Total	7	7	7	7

(2) Remunerations paid to supervisor in the recent(2019) fiscal year: not available

(3) Remunerations paid to presidents and vice-presidents in the recent(2019) fiscal year

Title	Name	Salary (A)		Severance Pay(B)		Bonus (C)		Dividend from Surplus (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		The Company	All companies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
President	Chung Kuo-Sung													
Vice President	Kuo Hui-Ling	360	10,415	0	0	0	0	0	0	3,274	0	360	14,049	0
Vice President	Somsak Noorvong													

Vice President	Chung Kuo-Chun													
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Range of Remunerations

Range of remuneration	Names of Presidents and Vice-Presidents	
	The Company	All companies in the consolidated financial statement
Under NT\$ 1,000,000	Chung Kuo-Sung, Kuo Hui-Ling, Chung Kuo-Chun, Somsak Norvong	
NT\$1,000,000(included) ~ NT\$2,000,000(excluded)		
NT\$2,000,000(included) ~ NT\$3,500,000(excluded)		Kuo Hui-Ling, Chung Kuo-Chun, Somsak Norvong
NT\$3,500,000(included) ~ NT\$5,000,000(excluded)		Chung Kuo-Sung
NT\$5,000,000(included) ~ NT\$10,000,000(excluded)		
NT\$10,000,000(included) ~ NT\$15,000,000(excluded)		
NT\$15,000,000(included) ~ NT\$30,000,000(excluded)		
Over NT\$30,000,000		
Total	4	4

(4) Employees profit sharing granted to the management team in the recent (2019) fiscal year

Dec. 31, 2019 Unit: NT\$

	Title	Name	Stock	Cash	Total	Rate of total amount to pure profits after tax ( % )
Manager	President	Chung Kuo-Sung	0	3,677,692	3,677,692	4.02%
	Vice President	Chung Kuo-Chun				
	Vice President	Kuo Hui-Ling				
	Vice President	Mr. Somsak				
	Fin & Acc Manager	Chen Hsin-Yuan				

Note: Surplus earnings distribution proposal for year 2019 has been passed on the board of directors on Mar.24, 2020.

- (5) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

The dividends contributions for the Company directors and employees are implemented by the regulations, and are listed in expenses list of the account year.

- A. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid to net profit after tax in individual financial statements of the recent two years

Unit: NT\$/Thousands

Item	2018				2019			
	Total remuneration		Ratio to net income (%)		Total remuneration		Ratio to net income (%)	
	The company	the consolidated financial statement	The company	the consolidated financial statement	The company	the consolidated financial statement	The company	the consolidated financial statement
Director	3,440	12,099	2.35%	8.26%	3,470	11,572	3.80%	12.66%
President and vice president	—	14,960	—	10.21%	—	14,049	—	15.37%
Total	3,440	27,059	2.35%	18.47%	3,470	25,621	3.80%	28.03%

- B. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

a. Directors and supervisors

Remuneration to directors includes cars and gasoline reimbursements, compensation from the surplus and business operation payments. Compensation from the surplus is stipulated in the Company regulations. On the other hand, the Company do not set any supervisors, thus no policy is made to payments to supervisors.

b. Presidents and vice president

The remunerations paid to presidents and vice presidents include salaries, bonuses and employee dividends, and all but salaries will be suitably adjusted and distributed based on the Company's operation performances.

4. The state of the company's implementation of corporate governance

(1) The state of operations of the board of directors

Ten meetings were held by the Board of Directors from fiscal year 2019 to the current fiscal year until the date of annual report publication, the attendance of directors is shown below, the attendance of directors is shown below:

Ten meetings **【A】** were held for the Second Board of Directors, the attendance of directors is shown below:

Title	Name	In-person Attendance 【B】	By proxy	In-person Attendance Rate (%) 【B/A】	Remarks
Director's legal person representative	Ho Sheng Holdings Co., Ltd. Representative : Wang Wen-Shan	9	1	90	Be elected continuously on 06/25/2019
Director's legal person representative	Powell Group Co., Ltd. Representative : Chung Kuo-Sung	10	0	100	
Director's legal person representative	Believing Power Co., Ltd. Representative: Kuo Hui-Ling	10	0	100	
Director	Wang Jia-Nan	10	0	100	
Independent director	Chen Shih-Chin	9	1	90	
Independent director	Kao Hong-Ming	2	0	100	Tenure expired on 06/17/2019
Independent director	Lai Chen-Chu	8	0	100	Be elected newly on 06/25/2019
Independent director	Huang Yung-Fu	10	0	100	Be elected continuously on 06/25/2019

Other matters to be recorded :

1. During operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director should be specified for matters specified in Article 14.3 of the Taiwan Securities and Exchange Act and other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing as: None.
2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded:
  - (1)2019/3/26 For the agendas of No.11 & No.12 to "Lifting the restrictions of competing for Chung Kuo-Sung as the new director and Mr. Chen Hsin-Yuan as the Manager of the subsidiary Jinpao-Thailand", director Chung Kuo-Sung avoided the voting process to avoid interest conflict, and the remaining directors present approved the case with no dissenting opinion.
3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment

- (1) In 2016, the election of the audit committee according to the company regulations and re-election of the remuneration committee were held by the second board of directors.
- (2) On 2017/11/7, to cooperate with the decree revision of “Position Implementation for audit committee of declared issued company”, “independent director establishment and requirement for declared issued company” and “Implementations of the Board of Director meetings for declared issued company” declared by no. 1060027112 declaration from Financial Supervisory Commission, R.O.C on 2017/7/28, the company passed the board of directors to revise relevant regulations for “The audit committee organization regulation”, “the occupation range of independent directors” and “the regulations of meetings for board of directors” to strengthen company government, audit committee meeting transparency and specified occupation boundary of independent directors.
- (3) On 2018/3/26, to implement the linkage of remunerations of directors, supervisors and the management team to personal performances and guide the Company to stipulate reasonable remunerations of directors, supervisors and the management team, and strengthen the occupational ability of remuneration committee, the board of directors passed the revision of relevant decrees of “regulation of remuneration committee” refer to the template of “Self Evaluation or Colleagues Evaluation Board of Directors” issued on Dec.31, 2014 by Taiwan Stock Exchange Ltd.

- (2) The state of operations of the audit committee or the state of participation in board meetings by the supervisor

The audit committee has held nine meetings in 2019 until the date of annual report publication and the attendance is shown below:

The 3<sup>rd</sup> audit committee has held nine meetings and the attendance of directors is shown below:

Title	Name	In-person attendance 【B】	By proxy	In-person Attendance Rate (%) 【B/A】	Remarks
Independent director	Chen Shih-Chin	8	1	89	Be elected continuously on 06/25/2019
Independent director	Kao Hong-Ming	2	0	100	Tenure expired on 06/17/2019
Independent director	Lai Chen-Chu	7	0	100	Be elected newly on 06/25/2019
Independent director	HuangYung-Fu	9	0	100	Be elected continuously on 06/25/2019

Other matters to be recorded :

1. For matters specified in Article 14.5 and resolution not passed by audit committee but agreed by over two-thirds of all directors, the meeting date of the Board of Directors, period, content, results of the Audit Committee's resolutions and the Company's processing for audit committee opinion must be reported : None.
2. Recusal by any independent directors for conflict of interest should have the independent director names, the meeting content, the reason for recusal, and the participation of the voting process be reported: None.
3. Communication between independent directors and internal auditor supervisor and accountant (which include the materials, methods, and results pertaining to corporate finances and/or operations, etc.): The Company's head of internal audit attends the audit committee meeting every time. Besides, the independent director has reviewed the financial statements of the Company regularly, and has discussed with the accountant before the meeting of the first season Board of Director meeting. The discussion meeting was held in 9 A.M. on 2019/11/06 in the JPP meeting room, and the content and relevant documents can be viewed or downloaded from the Company's homepage <http://www.jppholding.com/e5-3.html>.

**(3) The state of the company’s implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such departure:**

Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has formed a corporate governance code and complied by relevant regulations of information disclosure to constantly and immediately provide information regarding the status of the Company’s financial, sale, shares held by insiders and corporate governance on MOPS and established website by the Company to shareholders	No Difference
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholder’s suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(1)Aside from stipulating the shareholder rights protection items in the Company’s regulations and internal rules, the Company has established a specified unit to deal with investor relationships as well as handling shareholder’s suggestions, doubts and disputes. (2)The Company possesses the list of controlling shareholders and the ultimate owners of those shares through the stock agent unit. (3)The Company sets the “trading policy for affiliated enterprise” to serve as the guide of trading with affiliated enterprises. (4)The Company has established an “Insider Trading Policy” that prevent the Company or insiders from accidentally or deliberately breaking the law and resulting in litigations and jeopardizing reputations, so to protect rights of investors and the Company.	No Difference
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the company voluntarily establish other	V		(1)The Company had established three independent directors since Jul.15,2013 to reinforce the Board of Directors and follows the regulations of the Article 20 for “Governance Principles of listed companies” to revise the regulations about election procedures for chairmen and supervisors such to implement the diversity direction.	No Difference

Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
<p>functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>			<p>(2)The Company had established remuneration committee and the audit committee on Sep. 2, 2013, and the operation core Thailand subsidiary had established corporate social responsibility committee on Sep.18, 2017 and the committee declared the corporate social responsibility policy and direction on Oct.1 that year.</p> <p>(3)It is demanded that the board of directors should adjust composition of the board based on the result of performance assessment in the Company’s “Director election procedures”</p> <p>(4)In the first season of each year, the Company’s the Board of Directors evaluate the suitability and independence of the CPA. Besides, the elected CPA’s firm has strict demands for the CPA’s independence, e.g. The certification must not be done by the same accountant for seven years in a row for listed companies. If the CPA’s firm substitutes its accountant for internal structure reasons, the professions, personality and dependence of the new CPA is fully evaluated and sent to the board for resolution.</p>	
<p>4. As a TWSE/TPEx listed company, does the Company have set corporate governance (concurrent) unit or personnel in responsible for concerned affairs (including but not limited to offering necessary materials for the directors and supervisors, executing matters of meetingsfor board of directors and shareholders, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on) ?</p>	V		<p>The Company’s secretary of board of directors is responsible for handling corporate governance and share affairs including providing all necessary materials for directors and supervisors, executing matters of meetings for board and shareholders for Thailand and offshore holding companies, handling corporate registration and change of registration, and managing proceedings for the Board of Directors as well as shareholder meetings and other relevant matters.</p>	No Difference

Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
5. Does the Company establish communication channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	V		(1) Aside from regulations of the Company for protecting the shareholder’s rights, the Company also established a designated unit to deal with the stakeholders’ matters in order to deal with their suggestions, doubts and disputes properly.  (2) The Company had established website and built financial business information and corporate governance information for reference by the shareholders and stakeholders. Specialists are in charge of the maintenance of the website, and update the written information to ensure its correctness to avoid misleading.	No Difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		(1) The Company had appointed a professional shareholder service agency to deal with shareholder affairs.	No Difference
7. Disclosure information (1) Does the company have a corporate website to disclose both financial operations and the status of corporate governance?  (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(1) The Company had established a website to announce relevant information after issuing on the MOPS according to the competent authority rules.  (2) The Company has established a website, and has appointed one spokesperson and one deputy spokesperson	No Difference
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the	V		1. Rights and care for employee: Please refer to the Section 52 Operation Outline, Paragraph 1 Company Operations, subparagraph 5 the Labor Relationship of the annual report.  2. Investors relationships: Establishing the spokesman and the spokesman email to deal with shareholders’ suggestions.  3. Supplier relationships: The contract of the company and the	No Difference

Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
implementation of customer relation policies, and purchasing insurance for directors and supervisors)?			<p>supplier contains compliment of operation integrity policies, and the contract can be terminated if the opposite party of trading conducts non-integrity behaviors.</p> <p>4. Relationship with stakeholders: through cognition and analysis of stakeholder’s types by the business social responsibility committee on Mar.18, 2018, communications and discussions were made with employees upon their interest issues on Apr.6 to protect their rights.</p> <p>5. Training for directors and supervisors: the Company notifies directors to participate in profession knowledge training irregularly.</p> <p>6. Implementation of risk management policy and risk measurement standard: Internal control system and relevant management policy are established and executed.</p> <p>7. Implementation of customer policies : The Company maintains good relations with customers to create revenues for the Company.</p> <p>8. Liability insurance for the Company’s directors and supervisors: Liability insurance for the business range is covered for directors and supervisors.</p>	
9. According to the latest result of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explains the amendments or propose the priority measures to the non-improvement items	V		The Company has participated in the annual self-evaluation for Corporate Governance Evaluation System by TWSE since the listing in 2014. For each year, subsequent improvements were made based on the evaluation result; e.g. revisions were made to the Company regulations to shift the elections for director/independent director to the candidate nomination system in 2016.	No Difference

**Note 1:** Regardless of “Yes” or “No” for the implementation status, descriptions should be placed in the description column.

**Note 2:** Self-Evaluation governance report replies the report which the corporation self-evaluation governance items are evaluated by company itself with descriptions for the current company operation status of each evaluation item.

**(4) If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed.**

**1. Information on members of the Compensation Committee**

Identity (Note 1)	Condi tion Name	Meet One of the Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute (Note2)								Concurre nt compensa tion committe e position in other publicly listed companie s	Rema rks	
		An Instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or other Professional or Technical Specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of Commerce, Law, Finance, or Accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Indepen dent Director	Chen Shih- Chin			V	V	V	V	V	V	V	V	V	V	0	
Indepen dent Director	Lai Chen- Chu		V	V	V	V	V	V	V	V	V	V	V	0	
Indepen dent Director	Huang Yung- Fu	V		V	V	V	V	V	V	V	V	V	V	0	

**Note 1:** Fill in the Identity with directors, independent directors or others

**Note 2:** For each member during the previous two years of election or occupation who satisfy the following conditions, please enter check under the following representatives.

(1) Not an employee of the company or relation corporations

(2) Not a director or supervisor of the company or relation corporations (not limited to independent directors of the company, or the child company whose parent company directly or indirectly holds shares voting rights for over 50%).

(3) Natural shareholders who is not the person, its spouse or by other's name holding share issued by the

company which is over 1% to the total amount or the amount of share ranks at top-ten.

- (4) Not the spouse, within second-degree relatives or direct blood relatives within three-degree relatives of those listed in the prior 3 subparagraphs
- (5) Not the director, supervisor or employee of the legal person's shareholder holding issued shares directly for over 5% total share amounts from the company, or not the director, supervisor or employee of the legal person's shareholder who holds shares ranking at top-5.
- (6) Not chairmen (directors), supervisors, managers or shareholders holding share over 5% of specific corporations or organizations with financial or business interactions with the company.
- (7) Not professionals providing business, law, financial, accounting service or counseling for company or relation corporations, individual proprietorship, partnership company or organization's owners, partners, chairmen (directors), supervisors, managers or its spouse.
- (8) Not matching items described in each subparagraph of the article 30 of the Company Act.

**2. The responsibility of Compensation Committee**

- A. Sets and periodically reviews the evaluation of the directors and managers performance and compensation policy, system, criteria and structure.
- B. Periodically evaluate the compensation for the directors and managers.

**3. Operation status of the Compensation Committee**

- A. There are 3 members in the Company's Compensation Committee.
- B. Current Tenure: From July 1, 2016 to June 16, 2019, the Compensation Committee held five meetings in the fiscal year 2019 up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown as follows:

The 3<sup>rd</sup> compensation committee had held 5 meetings **【A】**, and the attendance is shown below:

Title	Name	In-person Attendance <b>【B】</b>	By proxy	In-person Attendance Rate (%) <b>【B/A】</b> (Note)	Remarks
Convenor	Kao Hong-Ming	2	0	100	Tenure expired on 06/17/2019
Convenor	Lai Chen-Chu	2	0	100	Be elected newly on 06/25/2019
Committee	Chen Shih-Chin	4	0	100	Be elected on 06/25/2019 continuously

Committee	Huang Yung-Fu	4	0	100	Be elected on 06/25/2019 continuously
<p>Other mentionable items :</p> <ol style="list-style-type: none"> <li>1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) should be described in detail: None.</li> <li>2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</li> </ol>					

Note: (1) If any compensation committee member resigned before the end of the year, in the remarks the resignation date should be remarked, and the actual attendance (%) is calculated based on the times of meetings held by the compensation committee and the actual attendance times during the member's in-office period.

(2) Before the end of the year, if any reelected member is present, the new and old compensation committee member should be listed and it should be denoted on whether the member is the old, new, reelected one and the reelected date. The actual attendance (%) is calculated based on the times of meetings held by the compensation committee and the actual attendance times during the member's in-office period.

**(5) The state of the company’s performance of corporate social responsibilities**

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p> <p>(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	V		<p>(1)The Company emphasizes the moral concepts and stipulated each management regulations from related laws to enforce management team and employees compliance. Relevant department of the Company will be in charge of stipulating and reviewing the result of corporate social responsibilities.</p> <p>(2)The operation body Thailand Company has established the corporate social responsibility committee on Sep. 18, 2017 and the committee declared corporate social responsibility policy and guideline on Oct. 1 in the same year to promote corporate social responsibility.</p> <p>(3)Each specialized group of the Corporate Social Responsibility Committee will promote distinct tasks for corporate social responsibility and the committee will report to the Boards about the implementation results.</p> <p>(4)The Company has developed the compensation policy passed by the compensation committee and the board of directors, as well as integrated with employee`s performance appraisal to establish an effective reward and discipline system.</p>	No Difference
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(2) Does the company establish proper environmental</p>	V		<p>(1)The Company improves the use efficiency of various resources, as well as promotes to save electricity and recycle papers. At the same time, the Company handles waste properly and dedicates in waste classification. The Company demands the suppliers to stop or refrain from using substance hazardous to environment for the</p>	No Difference

<p>management systems based on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?</p>		<p>products and ingredients as to decrease loading to the environment.</p> <p>(2)The Company develops appropriate environment management policies based on the characteristics of the industry and keeps to be certified with ISO14001 certification.</p> <p>(3)The Company promotes the electricity work of file management to cut down paper. At the same time, the Company aggressively promotes energy conservation and switches the light to energy saving LED light and the temperature of an air-conditioner to reduce energy consumption.</p> <p>The Thailand company board of directors has passed an investment for the solar energy system equipment for 100 thousand kWh on Oct, 2017. Using substitution energy to protect the environment and cut down at least 400 thousand Baht (100 thousand kWh/month). The plant construction was finished and started running at the third season, 2018.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employee on a regular basis?</p> <p>(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?</p> <p>(5) Does the company provide its employees with career development and training sessions?</p> <p>(6) Does the company establish any consumer protection</p>	V	<p>(1) In accordance with the local and international labor laws, legal rights of employee human rights is protected, and the employee appointments and dismissals and compensations are implemented based on relevant management regulations.</p> <p>(2) The Company has set up a bearer opinion box, and employees can respond to human resource departments or appropriate senior directors with opened communication way, and the Company set up an employee grievance mechanism and hotline to actively deal with the grievance matters for employees and keep the employee in secret.</p> <p>(3) For working environment, the Company regularly implemented the fire inspection to ensure solid environment safety, and for each year hold employee health check regularly and irregularly participate in various spiritual lessons.</p> <p>(4) The Company established employee benefit committee</p>	No Difference

<p>mechanisms and appealing procedures regarding research and development, purchasing, producing, operating and service?</p> <p>(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p> <p>(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>			<p>according to decrees and every employee rights can obtain reasonable addresses through the above channels.</p> <p>(5) The Company holds various career development and training plans for employees irregularly, including language and skill trainings.</p> <p>(6) The Company's products are not sold to normal consumers; hence consumer right policy has not been developed and declared yet. However, the Company insists to give service to customers with high quality, high-efficiency ways to create satisfying services. Besides, the Company appointed dedicated office to deal with complaints procedures to reach the highest objective of customer-satisfying services.</p> <p>(7) The Company complies with relevant laws as well as international standards when it comes to marketing and labeling of first-class customized products and services.</p> <p>(8) The Company has evaluated the suppliers to meet the international convention as being free of public nuisance before taking on business partnerships.</p> <p>(9) The contracts between the Company and supplier all contain compliance of ethical corporate management policy, and if the trading counterpart is involved in unethical behaviors or has violated relevant laws, resulting in breach of contract, the contracts may be terminated any time.</p>	
<p>4. Enhanced information disclosure</p> <p>( 1 ) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</p>	V		<p>The Company discloses relevant information on the Company website and the shareholder meeting annual report irregularly after the information is publicly issued.</p>	No Difference
<p>5. If the company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: No difference.</p>				
<p>6. Other important information to facilitate a better understanding of the company's corporate social responsibility practices:</p>				

- (1) the Company developed moral behavior standard, ethical corporate management policy and corporate social responsibility best-practice principles as the system and program of the Company's corporate social responsibility, and devoted to improve the awareness of environment and social responsibility for all employees; Besides, product quality management is implemented to provide to customers with good products and keep on improving the customer satisfaction to achieve the objective of corporate sustainable development, and subsequently feedback to society and invest on the public.
- (2) The Company established the employee benefit committee to provide to the employees with various benefits to secure employee rights.
- (3) The Company implemented corresponding measures in respect to The Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS) Directive, to make the customer's orders pass the ROHS regulation.
- (4) The Company has promoted industry-academia cooperation plans to sponsor fundamental facility of colleges and universities to train talents and advance the academia-industry communication.
- (5) The Company sponsored 0.2 million Baht to the biggest co-organizer of the 40<sup>th</sup> anniversary marathon held in Bangpoo Industrial Area, Paknam on Feb, 2018.
- (6) The Company plans to hold three corporate social responsibility lessons by the External Agency Thailand National Industrial Area Administration's subordinate UAE Corporation on Mar. to May, 2018.
- (7) The Company sole-sponsored 1 million Baht to the Thailand KMUTT University for match prize and activity cost of the Thailand University Automation Competition on 2018.
- (8) The Company donated total 40 thousands Baht for Thai World Vision Foundation on Mar. & Dec of 2019.
- (9) The Company sponsored scholarship 34,600 Baht to Baankoklan School Sarkaew on May 2019.
- (10) The Company donated total 70 thousands Baht for Thai Red Cross Society on July and Dec. of 2019.
- (11) The Company donated 50 thousands Baht for Rama Foundation of Thailand on Dec. of 2019.
- (12) The Company sponsored scholarship totaled 70 thousands Baht to Faculty of Medicine Chulaongkorn University on Dec. 2019.

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:

The Company continues the communications between customers and suppliers on the green product and environmental protection law demand on the customer's side to revise current green product management platform and internal management mechanism to take in the newest environmental protection requirement and customer's regulations to meet the green product demand on the customer's side and regulations of economic environmental protection law for all countries around the globe and all regions to provide environmentally friendly green products to customers, and keep to embody the responsibility and mission of green enterprise and obtain the ISO14001 environmental protection certification for many years.

The Company was awarded the 2018 corporate social responsibility prize by the Thailand National Ministry of Industry, Factory Administration on Aug.

## (6) Ethical Corporate Management

Items	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
<p>1. Establishments of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>(1) The Company has developed written system of ethical corporate management policies.</p> <p>(2) The Company promotes the ethical corporate management concept to all employees through holding relevant educational activity by the corporate social responsibility committee.</p> <p>(3) The Company demands all employees to not accepting any improper gift so as to avoid the employee sacrificing the Company's interest for the individual interest. On the other hand, all employees should assume the obligation of keeping operation secrets of the Company or others.</p>	No Difference
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and report the implementation status to the Board regularly?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective system for both accounting and internal control to facilitate ethical corporate</p>	V		<p>(1) There is assessment mechanism between the Company and the customers or suppliers, and upon concluding contracts, rights and obligations are described in detail therein and kept secrets.</p> <p>(2) Promotions related to the corporate ethical management of the Company are implemented by the corporate social responsibility committee, and executed by each group member based on the person's work range. The internal auditor shall check the compliance status to the system of the previous clause, and make the audit report to report to the Board.</p> <p>(3) The Company establishes the reporting channels to let the prosecutor report illegal matters while keeping the</p>	No Difference

<p>management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>			<p>prosecutor identity and the content as secret.</p> <p>(4)The Company establishes the internal audit plan and the internal audit units execute various works according to the audit plan.</p> <p>(5)The Company regularly holds educational trainings and promotions in accordance with written system of ethical corporate management policies, and invites the trade counterpart to participate in them to let the person understand the Company's resolution, the policy, the precaution programs and the result to violation of the ethical corporate managements.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	V		<p>(1) The Company establishes and publicize the internal independence report mailbox and hotline for the Company's insiders and external personnel's use.</p> <p>(2) Processed by to the Company's exclusive unit in the procedure described below:</p> <p>(3) Being passed to department executives if the report matter is involved by general employees and to independent directors if the matter is involved by chairman or top executives.</p> <p>(4) The Company keeps the prosecutor identity and report content secret as of dealing relevant personnel for the reported matter.</p> <p>(5) The Company executes protection to the prosecutor to prevent the person from improper treat due to the report.</p>	No Difference
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPs?</p>	V		<p>After publicizing, the Company disclose various relevant information on the Company's website and MOPs in accordance with related decrees.</p>	No Difference
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (such as review and revision of regulations):</p> <p>(1) The Company strictly abides by its rules, the Securities Exchange Act, the ethical corporate management policy to TWSE/TEEX Listed Companies or other laws related to commerce conduct to embody the ethical corporate management principle to create a sustainable management environment.</p>				

- (2) The Company's 【the governing regulation of board of directors' meeting】 developed regulations for directors to avoid interest, and the director shall explain the concern in the Board of Directors when the meeting subject exhibits the concern for the director himself or the legal person he represents. If the interests of the Company are jeopardized, the director shall not be allowed to participate in the discussion and voting, as well as act on behalf of other directors in exercising their voting rights.
- (3) The Company was granted by the President of Republic of China (Taiwan) with the 18th Outstanding Overseas Taiwanese SMEs Award on October, 2016.
- (4) The Company President Mr. Chung Kuo-Sung and Vice President Ms. Kuo Hui-Ling rewarded by the Vice President of Republic of China (Taiwan) with the 25th Selection of Model Taiwan and Overseas Entrepreneurs Award on December, 2016.
- (5) On 2017/11/7, to corporate with the decree revision of "Position Implementation for audit committee of public company", "independent director establishment and requirement for public company" and "Implementations of the Board of Director meetings for public company" declared by no. 1060027112 declaration from Financial Supervisory Commission, R.O.C on 2017/7/28, the company's board of directors had passed to revise relevant regulations for "The audit committee organization regulation", "the occupation range of independent directors" and "the governance regulations of board of directors' meeting" to strengthen company government, audit committee meeting transparency and occupation boundary clearness of independent directors.

**(7) If the company has adopted corporate governance principles or related regulations, shall disclose how these are to be searched: Please refer to the Company's website:** <http://www.jppholding.com>

**(8) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: the reviews for the status of execution of resolution items through shareholders' meeting in recent years.**

Meeting Name	Period	Content	Resolutions	Implementation status
Annual General shareholders' meeting of 2018	1	Adoption of the 2017 Business Report and Financial Statements	Total shareholder attendance of 26,245,082 of voting rights (including the electronic voting of 117,678), approval 25,771,625 of voting rights(including the electronic voting of 116,529), ratio of approval 98.19 %, disapproval 1,056 of voting rights(including the electronic voting of 1,056), Invalid 0 of voting rights, Abstention 472,401 of voting rights(including the electronic voting of 93), Proposal by the Board is approved.	Based on the resolution, the proposal is executed.
	2	Adoption of the Proposal for Distribution of 2017 Profits	Total shareholder attendance of 26,245,082 of voting rights(including the electronic voting of 117,678), approval 25,668,796 of voting rights (including the electronic voting of 116,529), ratio of approval 97.8 %, disapproval 1,056 of voting rights(including the electronic voting of 1,056), Invalid 0 of voting rights, Abstention 575,230 of voting rights(including the electronic voting of	Based on the resolution, the proposal is executed. The cash dividend totals to NT\$124,452,211 distribution by NT\$3.16970253 per share was finished on Aug. 17, 2018.

			93), Proposal by the Board is approved.	
	3	Amendment of “The governing procedure of board of directors’ meeting”	Total shareholder attendance of 26,245,082 of voting rights (including the electronic voting of 117,678), approval 25,668,796 of voting rights(including the electronic voting of 116,529), ratio of approval 97.8 %, disapproval 1,056 of voting rights(including the electronic voting of 1,056), Invalid 0 of voting rights, Abstention 575,230 of voting rights(including the electronic voting of 93), Proposal by the Board is approved.	Based on the resolution, the proposal is executed and came into effect immediately.
	4	Amendment of articles of association. (Special Resolution)	Total shareholder attendance of 26,245,082 of voting rights (including the electronic voting of 117,678), approval 25,668,796 of voting rights(including the electronic voting of 116,529), ratio of approval 97.8 %, disapproval 1,056 of voting rights(including the electronic voting of 1,056), Invalid 0 of voting rights, Abstention 575,230 of voting rights(including the electronic voting of 93), Proposal by the Board is approved.	Based on the resolution, the proposal is executed and came into effect immediately.
Annual General shareholders’ meeting of 2019	1	Adoption of the 2018 Business Report and Financial Statements	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 28,012,270 of voting rights (including the electronic voting of 190,569), ratio of approval 99.6 %, ratio of approval 99.6 %, ratio of approval 99.6 %,	Based on the resolution, the proposal is executed.

		disapproval 51 of voting rights (including the electronic voting of 51), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	
2	Adoption of the Proposal for Distribution of 2018 Profits	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 27,988,270 of voting rights(including the electronic voting of 166,569), ratio of approval 99.52 %, disapproval 24,051 of voting rights (including the electronic voting of 24,051), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	Based on the resolution, the proposal is executed. The cash dividend totals to NT\$102,607,981 distribution by NT\$2.6 per share was finished on Aug. 09, 2019.
3	Amendment to the Operational Procedures for Acquisition and Disposal of Assets	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 28,012,270 of voting rights(including the electronic voting of 190,569), ratio of approval 99.6 %, disapproval 51 of voting rights (including the electronic voting of 51), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	Based on the resolution, the proposal is executed and came into effect immediately.
4	Amendment to the Operational Procedures for Loaning of Company Funds	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 28,012,270 of voting rights(including the electronic voting of	Based on the resolution, the proposal is executed and came into effect immediately.

		190,569), ratio of approval 99.6 %, disapproval 51 of voting rights (including the electronic voting of 51), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	
5	Amendment to the Operational Procedures for Endorsements and Guarantees	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 28,012,270 of voting rights(including the electronic voting of 190,569), ratio of approval 99.6 %, disapproval 51 of voting rights (including the electronic voting of 51), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	Based on the resolution, the proposal is executed and came into effect immediately.
6	Amendment to the Company's Memorandum and Articles of Association. (Special Resolution)	Total shareholder attendance of 28,123,699 of voting rights (including the electronic voting of 190,690), approval 28,012,270 of voting rights(including the electronic voting of 190,569), ratio of approval 99.6 %, disapproval 51 of voting rights (including the electronic voting of 51), Invalid 0 of voting rights, Abstention 111,378 of voting rights (including the electronic voting of 70), Proposal by the Board is approved.	Based on the resolution, the proposal is executed and came into effect immediately.
7	The 3rd Term of Directors and Independent Directors election.	Voting rights for the director Ho Sheng Holdings Co., Ltd. 29,627,263; Voting rights for the director Powell Group Co., Ltd. 29,137,732; Voting rights for the director Believing Power Co., Ltd.	Attendant shareholders voted out 7 directors (including of 3 independent

			28,362,532; Voting rights for the director Wang Jia-Nan 27,793,745; Voting rights for the independent director Chen Shih-Chin 27,008,252; Voting rights for the independent director Lai Chen-Chu 27,005,754; Voting rights for the independent director Huang Yung-Fu 27,005,754.	directors. The 3 <sup>rd</sup> director tenure which is three years from 2019/6/25 to 2022/6/24.
8	Proposal for Release the Prohibition on Directors from Participation in Competitive Business (Supermajority Resolution)	Total shareholder attendance of 28,123,699 of voting rights, (including the electronic voting of 190,690), approval 27,985,827 of voting rights(including the electronic voting of 164,126), ratio of approval 99.51%, disapproval 24,053 of voting rights (including the electronic voting of 24,053), Invalid 0 of voting rights, Abstention 113,819 of voting rights (including the electronic voting of 2,511), Proposal by the Board is approved	Based on the resolution, the proposal is executed and came into effect immediately.	

## **(9) Internal Control System Execution Status**

### **i. Statement of Internal Control System**

**JPP Holding Co. Ltd.**

#### **Declaration of Internal Control**

**Date: March. 24, 2019**

The following declaration regarding the internal control system of the Company and subsidiaries has been made based on a self-assessment performed in 2019:

- I. The Company and subsidiaries acknowledge and understand that establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The Company has the internal control system established to provide a reasonable assurance for the realization of operating effect and efficiency (including profits, performance, and assets safety), the reliability of financial report, and the obedience of relevant regulations.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company and subsidiaries features a selfmonitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company and subsidiaries evaluate the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to the "Governing Rules" for the details of the said items.
- IV. The Company and subsidiaries have adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.  
Subjects to be managed/controlled are divided into three main sections:  
The first section contains three parts: external performance measurement, internal performance measurement and overall competitiveness.  
The second section contains six assessments of different skills, including: new products quotations, purchase orders delivery, proposal formulating, manufacturing execution, operation management, and profit and loss management.  
The third section contains 19 performance indicators: quote-to-cash cycle, price-quoting promptitude, order fulfillment rate, price quote accuracy, deliver cycle time, on-time delivery performance, customer return rates, customer service, commencing planned-order in time, daily assignments completion, material preparation completeness, production process cycle, capacity utilization, production quality, revenue growth rate, average product of labor, profit and loss management, and inventory turnover rate.
- V. Based on the assessments described above, the Company and subsidiaries consider the

design and execution of its internal control system to be effective as at December 31, 2019. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's and subsidiaries' business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

- VI. The Company and subsidiaries have followed Article 25 of "The Governing Principles" and engaged CPAs to review the reliability of financial reporting for the abovementioned period and internal control system relevant to ensuring the safety of its assets (thereby preventing assets against unauthorized acquisition, utilization and disposal). As mentioned in the above paragraph, design and execution of such a system have been deemed effective and no significant defect was found with respect to the recording, processing and consolidation of financial information, reliability of the reported information, or safety of the assets in question. Overall, the internal control system exhibited no significant defect that would lead to the unauthorized acquisition, utilization or disposal of assets.
- VII. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VIII. This declaration was approved during the board of directors meeting held on March 24, 2020; all 7 attending directors had concurred with the context of this declaration.

**JPP Holding Company Limited**

Chairman: **Chung Kuo-Sung**

President: **Chung Kuo-Sung**

**ii. If CPA was engaged to conduct a Special Audit of Internal Control System, Provide Its Audit Report:**

**Audit Report for Internal Control System**

JPP Holding Company Limited and its subsidiaries, March 24, 2020, said that the internal control system, which was assessed to be related to external financial reporting and asset security protection, was effectively designed and implemented on December 31, 2019. Declaration, after reviewing the accountant. Maintaining an effective internal control system and assessing its effectiveness are the responsibility of the company's management. The accountant's responsibility is to express an opinion on the effectiveness of the company's internal control system and the company's internal control system statement based on the results of the review.

The accountant plans and performs the review in accordance with the “Standards for Publicly Held Companies to Internal Control Systems” and generally accepted auditing standards to ensure that the company's internal control system remains effective in all material aspects. The review included understanding the company's internal control system, assessing the process by which management assesses the effectiveness of the overall internal control system, testing and evaluating the effectiveness of the design and implementation of the internal control system, and other review procedures that the accountant deems necessary. The accountant believes that this review can provide a reasonable basis for the opinions expressed.

Any internal control system has its inherent limitations. Therefore, the above internal control system of JPP Holding Company Limited and its subsidiaries may still fail to prevent or detect any errors or frauds that have occurred. In addition, the future environment may change, and the degree of compliance with the internal control system may also be reduced. Therefore, the effective internal control system in this period does not mean that it will be effective in the future.

Based on the opinions of the accountant, the internal control effectiveness judgment system of JPP Holding Company Limited and its subsidiaries is related to external financial reports and asset security protection in accordance with the internal control effectiveness judgment project of the “Standards for Publicly Held Companies to Internal Control Systems”. Designed and implemented on December 31, 2019, maintaining effectiveness in all major aspects; JPP Holding Company Limited and its subsidiaries issued on March 24, 2020, the statement that the internal control system related to external financial reporting and asset security protection is considered to be effective design and implementation, major aspects are permitted.

**Deloitte accountant Chen-Chih Yuan**

**Deloitte accountant Yang-Ching Cheng**

**Date: Mar. 24, 2019**

**(10) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: There are no material deficiencies for violations to the law and the internal control.**

**(11) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

NO.	Resolution moves	Meeting Date	Meeting type
1	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2017 remuneration of employees and directors</li> <li>2. Adoption of the Company's 2017 business report and consolidated financial statements</li> <li>3. Adoption of the Company's 2017 proposal for distribution of profits</li> <li>4. Approval of the Company's amendment for "the association regulations of the compensation committee"</li> <li>5. Approval of the proposal of job responsibility adjustment for "the litigation and non-litigation agent" and "the agent spokesman"</li> <li>6. Approval of the proposal of 40 million Baht investment to the subsidiary Jinpao Precision Industry Co., Ltd.</li> <li>7. Approval of the Company's 2017 internal control declaration</li> <li>8. Approval of the Company's 2018 proposal of the accountant appointment and the accountant's audit fee.</li> <li>9. Discussion on the date, time, place and move content of the Company's 2018 shareholders annual general meeting, and discussion of the feasibility for implementing the voting rights by electronic votes</li> <li>10. Discussion on the period and place for proposal application for the Company's 2018 shareholder's annual general meeting</li> </ol>	2018.03.26	The 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board
2	<ol style="list-style-type: none"> <li>1. Approval of the proposal of amendments of the Company's regulations and rules.</li> </ol>	2018.05.08	The 11 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board
3	<p>Adoption Items:</p> <ol style="list-style-type: none"> <li>1. Adoption of the Company's 2017 Business Report and Financial Statement</li> <li>2. Adoption of the Company's proposal for distribution of 2017 profits</li> </ol> <p>Discussed Items:</p> <ol style="list-style-type: none"> <li>1. Amendment for the Company's "Governing regulations of the board of directors' meeting"</li> <li>2. Amendment for the Company's regulations</li> </ol>	2018.06.26	The annual general shareholders' meeting
4	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2018 proposal of remuneration adjustment of managerial person</li> </ol>	2018.08.07	The 12 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board
5	<ol style="list-style-type: none"> <li>1. Approval of the proposal of Thailand subsidiary Jinpao Precision Co. Ltd. investment to SAS LUTEC, Atelier de décolletage de Bigorre and SCI ANGEL.</li> </ol>	2018.09.07	The 13 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board
6	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2019 annual internal audit plan</li> </ol>	2018.11.0	The 14 <sup>th</sup> meeting

	<p>2. Approval of the Company's 2019 annual budget proposal</p> <p>3. Approval of the proposal of supporting 3.4 million euros endorsement guarantee to the subsidiary Jinpao Precision Co. Ltd.</p> <p>4. Discussion on authorizing the chairmen with potential companies or relevant persons to preliminary discussing and consulting matters regarding the preliminary acquisition or joint venture.</p>	7	of the 2 <sup>nd</sup> Board
7	<p>1. Adoption of the Company's 2018 business report and corporate consolidated financial statements.</p> <p>2. Approval of the Company's 2018 earnings distribution proposal.</p> <p>3. Approval of the Company's 2018 employees' and directors' compensation proposal.</p> <p>4. Approval of the Company's 2019 Group new managerial person's remuneration proposal.</p> <p>5. Approval of the Company's "Regulations of compensation committee" revision proposal.</p> <p>6. Approval of the Company's "Regulations Governing the Acquisition and Disposal of Assets" revision proposal.</p> <p>7. Approval of the Company's "Articles of Association" revision proposal.</p> <p>8. Approval of the Company's reelection for directors' proposal.</p> <p>9. Approval of the appointment of directors (inclusive of independent directors) candidate proposal.</p> <p>10. Approval of the Company's proposal of the underwriting of liability insurance of directors by board of directors.</p> <p>11. Approval of the lifting of competing restriction for Mr. Chung, Kuo-Sung and that planned for new directors.</p> <p>12. Approval of the lifting of competing restriction for Company's subsidiary Jinpao Precision Industry Co. Ltd.'s directors Mr. Chung, Kuo-Sung and Chen, Hsin-Yuan.</p> <p>13. Approval of the Company's 2018 internal control system statements.</p> <p>14. Approval of the accountant appointment and the audit fee proposal.</p> <p>15. Discussion of the date, time, moves etc. for the Company's 2019 shareholders' annual general meeting.</p> <p>16. Discussion on the period and place for proposal application for the Company's 2019 shareholder's annual general meeting.</p> <p>17. Discussion on the period and place for appointment application, the number to be elected of director and independent director candidates.</p>	2019.03. 26	The 15 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board
8	<p>1. To Approve the Amendment of the Company's "Procedures for Endorsements and Guarantees".</p> <p>2. To Approve the Amendment of the Company's "Regulations of Loaning Funds to Others".</p> <p>3. To Stipulate the SOP of the Proposal Asked by the Board Director.</p>	2019.05. 07	The 16 <sup>th</sup> meeting of the 2 <sup>nd</sup> Board

	<p>Adoption Items :</p> <ol style="list-style-type: none"> <li>1. Adoption of the 2018 Business Report and Financial Statements</li> <li>2. Adoption of the Proposal for Distribution of 2018 Profits</li> </ol> <p>Discussion Item :</p> <ol style="list-style-type: none"> <li>1. Amendment of the Procedures for Acquisition and Disposal of Assets</li> <li>2. Amendment of the Procedures for Loaning of Company Funds</li> <li>3. Amendment of the Procedures for Endorsements and Guarantees</li> <li>4. Amendment to the Company's Memorandum and Articles of Association</li> <li>5. The 3rd Term of Directors and Independent Directors election.</li> <li>6. Proposal for Release the Prohibition on Directors from Participation in Competitive Business</li> </ol>	2019.06.25	The annual general shareholders' meeting
9	<ol style="list-style-type: none"> <li>1. To Elect the Chairman and President of the 3<sup>rd</sup> term of the Board Director</li> <li>2. To Elect Compensation Committee of the 3<sup>rd</sup> term of the Company</li> </ol>	2019.06.25	The 1 <sup>st</sup> meeting of the 3 <sup>rd</sup> Board
10	<ol style="list-style-type: none"> <li>1. Approval HR Adjustment Proposal of the Subsidiary "Jinpao Precision Industry Co., Ltd."</li> <li>2. To Consider Increasing Capital by Issuing New Ordinary Shares</li> <li>3. To Consider Raising Funds by Issuing the 2<sup>nd</sup> Domestic Convertible Bond.</li> </ol>	2019.08.06	The 2 <sup>nd</sup> meeting of the 3 <sup>rd</sup> Board
11	<ol style="list-style-type: none"> <li>1. Approval HR Adjustment Proposal of the Subsidiary "Jinpao Precision Industry Co., Ltd."</li> <li>2. To Consider Increasing Capital by Issuing New Ordinary Shares</li> </ol>	2019.09.18	The 3 <sup>rd</sup> meeting of the 3 <sup>rd</sup> Board
12	<ol style="list-style-type: none"> <li>1. Approval of the Application for a Short-term Loan Four Million US Dollars with Mega International commercial Bank Foreign Department Taiwan</li> <li>2. Approval for A Loaning Funds 3.4 Million Euro Dollars to the Subsidiary "Jinpao Euro SAS"</li> </ol>	2019.10.03	The 4 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board
13	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2020 annual internal audit plan</li> <li>2. Approval of the Company's 2020 annual budget proposal</li> <li>3. Approval the Employees Share Subscription List of Y2019's Capital Increasing whom identified being as the Management or the Board Director Simultaneously.</li> <li>4. Approval of the Application for a Short-term Loan Four Million US Dollars with Mega International commercial Bank Foreign Department Taiwan</li> <li>5. Approval a M&amp;A Proposal of the subsidiary "Jinpao Euro SAS" to Acquire the Company "SPEM AERO SAS"</li> <li>6. To Consider an Application with Mega International commercial Bank Foreign Department for Financing Facility with limited 3.6 Million Euro Dollars.</li> <li>7. To Consider a Funds Limited 3.6 Million Euro Dollars Loaning to the Subsidiary "Jinpao Euro SAS".</li> </ol>	2019.11.06	The 5 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board

14	1. Approval the Investment of THB 357.2 Million to the Significant Subsidiary Jinpao Precision Industry Co., Ltd.	2020.01.15	The 6 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board
15	<ol style="list-style-type: none"> <li>1. Adoption of the Company's 2019 business report and corporate consolidated financial statements.</li> <li>2. Approval of the Company's 2019 earnings distribution proposal.</li> <li>3. Approval of the Company's 2019 employees' and directors' compensation proposal.</li> <li>4. Approval of the Company's "Articles of Association" revision proposal.</li> <li>5. Approval of the Company's 2019 internal control system statements</li> <li>6. Approval of the accountant appointment and the audit fee proposal.</li> <li>7. Discussion of the date, time, agendas etc. for the Company's 2020 shareholders' annual general meeting.</li> <li>8. Discussion on the period and place for proposal application for the Company's 2020 shareholder's annual general meeting.</li> </ol>	2020.03.24	The 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board
16	1. To consider the proposal for an agenda of AGM 2020 by the shareholder.	2020.05.04	The 8 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board

**(12) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:** None

**(13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer principal financial officer, chief internal auditor, and principal research and development officer:**

Summary of Resignation and Dismissal of Related Individuals of the Company

Title	Name	Took-in office date	Dismissal Date	The Reason of Resignation or Dismissal
Account Manager of Subsidiary	Ms. Sarunya Maneechay	Aug. 23, 2014	Sep. 11, 2019	Job adjustment

**5. Information on CPA professional fees**

The interval table of professional fees of CPA (please check an appropriate interval table and fill in the amount)

CPA Firm	Name of accountant	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Chen Chih Yuan	Jan. 1, 2019~ Dec. 31, 2019	

	Yang Ching Cheng	Jan. 1, 2019~ Dec. 31, 2019	
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Currency: NT\$

Fee item		Audit fee	Non-Audit fee	Total
Amount interval				
1	Below 2,000 thousand			
2	2,000 thousand ( inclusive ) ~4,000 thousand (exclusive)	3,400,000	400,000	3,800,000
3	4,000 thousand ( inclusive ) ~6,000 thousand (exclusive)			
4	6,000 thousand ( inclusive ) ~8,000 thousand (exclusive)			
5	8,000 thousand ( inclusive ) ~10,000 thousand (exclusive)			
6	More than 10,000 thousand ( inclusive )			

Currency: NT\$

CPA Firm	Name of accountant	Audit fee	Non-Audit fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company registration	Human Resources	Others	Subtotal		
Deloitte & Touche	Chen Chih Yuan	3,400,000	0	0	0	400,000	400,000	2019	
	Yang Ching Cheng							2019	

**6. Information on replacement of certified public accountant**

None

**7. Information on service of the company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates: None.**

Evaluation process and content of CPA independence was reviewed, evaluated and approved by vote in the most recent 7<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors on Mar. 24, 2020. The evaluation checklist is shown below;

Independence evaluation checklist of F-JPP's CPA in 2020		
Check items of independence evaluation	Accountant: Deloitte Chen Chih- Yuan	Accountant: Deloitte Yang Ching-Cheng

1 In the annual quotation, non-audit fee paid to CPA, the accounting firm and its affiliates is over one-quarter of audit fee paid to them	Not available	
2 Information on Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates in the recent year	Not available	
3 Information on holding the company's shares of the accountant and his/her spouse	Not available	Not available
4 Information on service of the accountant's second degree of kinship at the Company	Not available	Not available
5 Retained by the client or audited person to be charged of ordinary work and to receive fixed compensation, or to be made to serve as the director or supervisor	Not available	Not available
6 Information on past service as the client or audited person's director, supervisor, managerial person or officer exhibited material effects on certified case, and the separation of the past service was within two years	Not available	Not available
7 Information on spouse, direct blood relatives, direct relatives by marriage or collateral relatives by blood within two generations relationships with the client or the audited person's responsible person or managerial person	Not available	Not available
8 Investment or financial interest sharing relationships for the principal, his spouse or his dependent children and the client or the audited person	Not available	Not available
9 Information on loaned capital for the principal, his spouse or his dependent children and the client or the audited person	Not available	Not available
10 Execution of management consult or other non-certification business to affect the independency	Not available	Not available
11 Incompatible of the regulations of the supervise institution for accountant rotation, agency for other's accounting matters or others capable of affecting the independency	Not available	Not available

**8. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

- (1) Change of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company.

Unit: share

Title	Name	Year 2019		Year 2020 Up to the publication date of the annual report	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Director/ Major Shareholder	Ho Sheng Holdings Co., Ltd. Representative: Wang Wen-Shan	525,569	—	—	—
Director	Wang Wen-Shan	20,000	—	—	—
Director	Believing Power Co., Ltd. Representative: Kuo Hui-Ling	322,135	—	—	—
Director	Kuo, Hui-Ling	—	—	—	—
Director/ Major Shareholder	Powell Group Co., Ltd. Representative: Chung Kuo-Sung	407,629	—	—	—
Director	Chung Kuo-Sung	—	—	—	—
Director	Wang Jia-Nan	14,488	—	—	—
Independent Director	Chen Shih-Chin	—	—	—	—
Independent Director	Lai Chen-Chu	—	—	—	—
Independent Director	Huang Yung-Fu	—	—	—	—
Juristic Person Representative /	Chung Kuo-Sung	—	—	—	—

Chairman					
Jinpao(Thailand) Vice-President	Kuo Hui-Ling	—	—	—	—
Jinpao (Thailand) Vice-President	Chung Kuo-Chun	851	—	—	—
Jinpao (Thailand) Vice-President	Somsak Norvong	—	—	—	—
Financial Manager	Chen Hsin-Yuan	—	—	—	—
Audit director	Wen Hong-Rong	5,000	—	—	—

(2) Information on equity transfer: The counterparties of equity transfer are not related parties.

(3) Information on equity pledge: The counterparties of share pledges are not related parties.

**9. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.**

Apr. 24, 2020; Unit: Share

Name (Note1)	Shareholding		Spouse & Minor Current Shareholding		Current shareholding in the name of others		relationship among the top ten shareholders, anyone who is of a related party of Financial Accounting Standards No.6 Relation, spouse, or second-degree kinship of another: Name & relation (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ho Sheng Holdings Co., Ltd.	6,698,599	15.34%	—	—	—	—	—	—	—
Representative: Wang Wen-Shan	20,000	0.05%	2,000	0.0%	—	—	—	—	
Powell Group Co., Ltd.	5,195,408	11.9%	—	—	—	—	—	—	—
Representative: Chung Kuo-Sung	10,545	0.02%	10,545	0.02%	—	—	Kuo,Hui-Ling	Spouse	
							Chung, Kuo-Chun	Brother	
Believing Power Co., Ltd.	4,105,747	9.4%	—	—	—	—	—	—	—
Representative:Kuo Hui-Ling	10,545	0.02%	10,545	0.02%	—	—	Chung, Kuo-Sung	Spouse	
							Chung, Kuo-Chun	Brother-in-law	
Happy Forever	3,936,390	9.02%	—	—	—	—	—	—	—

International Ltd. Representative: Ms. Sirinporn Saresawatpichai Mr. Mingsung Cheeweesuk		—	—	—	—	—	—	—	—	—
KC Billion Investment Co., Ltd. Representative: Chung Kuo-Chun		2,678,920	6.14%	—	—	—	—	—	—	—
		10,851	0.02%	—	—	—	—	Chung, Kuo-Sung Kuo, Hui-Ling	Brother Brother's Spouse	
Luckace Investments Limited Representative: Tu, Chang-Hung, Tu Wei Yu		2,418,362	5.54%	—	—	—	—	—	—	—
		47,634	0.11%	—	—	—	—	—	—	
Well Pacific Worldwide Co., Ltd. Representative: Liou Ling Di		1,010,447	2.31%	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—	
First Venture Capital Co., Ltd. Representative: Mr. Chang Chin-Fang		636,000	1.46%	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—	
Lee Chon-Cheng		476,772	1.09%	—	—	—	—	—	—	—
Topson Holdings Limited		474,715	1.09%	—	—	—	—	—	—	—
Representatives:	Tzou Sin	50,000	0.11%	—	—	—	—	—	—	
	Huang, Tun-Chen	24,000	0.06%	—	—	—	—	—	—	
	Sarunya Maneechay 、 Somsak Norvong 、 Jaran Masoon gnern 、	—	—	—	—	—	—	—	—	

Not 1: The top 10 shareholders should be all listed, and those belongs to legal person shareholders should list the name of legal person shareholder and the name of representative, respectively.

Note 2: The calculation of shareholding percentage (%) is calculated respectively for the principal, spouse, the minors or the name of others.

Note 3: The relationship of the mentioned shareholders including legal person and natural person should be disclosed according to the Regulations Governing the Preparation of Financial Reports by Issuers.

**10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled wither directly or indirectly by the Company:**

May 22, 2020 ; Unit : Shares

Joint venture	The Company		Investment by Directors, Supervisors, Managerial Person and Directly or Indirectly Controlled Businesses		Comprehensive Investment	
	Shares	%	Shares	%	Shares	%
Jinpao Precision Industry Co.,Ltd.	70,974,998	≅ 100%	2	≅ 0%	63,375,000	100%
Jinpao Precision Japan Co., Ltd.	480	80%	-	-	480	80%
Jinpao Europe SAS	1,900,000	76%	-	-	1,900,000	76%
Atelier de décolletage de Bigorre (ADB)	5,776	76%	-	-	5,776	76%
LuTec SAS (LUTEC)	417,629	76%	-	-	417,629	76%
Wefly Aero Co., Ltd.	250,000	25%	-	-	250,000	25%
SPEM AERO SAS	2,835	90%	-	-	2,835	90%

## IV. CAPITAL RAISING ACTIVITIES

### 1. Capital and shares

#### (2) Source of capital stock

May 22, 2020 Unit: NT\$Thousand/Shares

Year /month	Par Value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increased by Assets Other Than Cash	Others
2012 /05	10	100,000	1,000,000	1	10	established	—	—
2012 /06	10	100,000	1,000,000	100	1,000	Capital increase 990 by cash	—	—
2013 /06	10	60,000,000	600,000,000	23,333,334	233,333,340	NT\$ 233,332,340	—	Note 1
2013 /10	10	60,000,000	600,000,000	30,000,000	300,000,000	Capital increase 66,666,660 by cash	—	Note 2
2014 /10	10	60,000,000	600,000,000	33,750,000	337,500,000	Capital increase 37,500,000 by cash	—	Note 3
2015 /11	10	60,000,000	600,000,000	36,050,000	360,500,000	Capital increase 23,000,000 by cash	—	Note 4
2015 /12 ~ 2018 /10	10	60,000,000	600,000,000	39,464,608	394,646,080	Corporate Bond jpp-1 convert to common stock	—	Note 5
2019 /11	10	60,000,000	600,000,000	43,664,608	394,646,080	Capital increase 42,000,000 by cash	—	Note 6
2020 /05	10	60,000,000	600,000,000	43,664,608	394,646,080	Corporate Bond jpp2KY convert to common stock	—	Note 7

Note 1: Stock rights were reestablished to issue new stocks

Note 2: Private placements were done before listing and issued premium at NT\$36 per share.

Note 3: First capital increase issued for listing, approved on 2014/09/17 Securities and Futures Bureau No. 1030036526, and issued premium at NT\$50 per share.

Note 4: The capital increase at 2015 was approved on 2015/09/21 Securities and Futures Bureau No. 1040037400, and issued premium at NT\$50 per share.

Note 5: Approved on 2015/09/21 by Financial Supervisory Commission (Taiwan) Securities and Future Bureau No. 10400374002, 2000 three-year-period debenture convertible bonds"jpp-1"with total amount at

NT\$0.2 billion was issued on 2015/10/23

Note 6: The capital increase at 2019 was approved on 2019/11/06 Securities and Futures Bureau No. 1080334512, and issued premium at NT\$47 per share.

Note 7: Approved on 2019/11/06 by Financial Supervisory Commission (Taiwan) Securities and Future Bureau No. 10803345121, 2000 sheets three-year-period debenture convertible bonds”jpp2KY”with total amount at NT\$0.2 billion was issued on 2019/11/28

### Type of shares

Unit: Shares

Type of Shares	Approved Capital			Remarks
	Issued Shares	Un-issued Shares	Total(Note)	
Registered Common Stock	43,664,608	16,335,392	60,000,000	Listed Stocks

### (3) Recent shareholding distribution status

#### i. Shareholder structure

Date: Apr. 27, 2020; Unit: share %

Shareholder structure Quantity	Government Institutions	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Foreign Persons(Note)	Total
Number of Shareholders	0	2	13	1,772	18	1,805
shareholding	0	181,469	1,566,077	15,243,854	26,673,208	43,664,608
Holding Percentage	0%	0.42%	3.59%	34.90%	61.09%	100.0%

Note: Capital investment from the Mainland China indirectly holds 2.31% of the Company’s shares through Well Pacific Worldwide Co., Ltd.

#### ii. Diffusion of ownership

Par value NT\$10 per share; Apr. 27, 2020; Unit: Share

Class of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1~ 999	242	29,217	0.0669%

1,000~ 5,000	1,066	2,073,805	4.7494%
5,001~ 10,000	177	1,301,832	2.9814%
10,001~15,000	84	1,055,051	2.4163%
15,001~20,000	53	947,572	2.1701%
20,001~30,000	56	1,376,538	3.1525%
30,001~40,000	29	986,020	2.2582%
40,001~50,000	25	1,136,818	2.6035%
50,001~100,000	39	2,698,034	6.1790%
100,001~200,000	19	2,760,448	6.3219%
200,001~400,000	4	1,229,517	2.8158%
400,001~600,000	3	1,389,883	3.1831%
600,001~800,000	1	636,000	1.4566%
800,001~1,000,000	0	0	0%
Over 1,000,001	7	26,043,873	59.6453%
Total	1,805	43,664,608	100.00%

**(4) Major shareholders:**

List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list

Apr. 27, 2020; Unit: Share

Name of Major Shareholders	Shares	Shareholding	Percentage (%)
Ho Sheng Holdings Co., Ltd.		6,698,599	15.34%
Powell Group Co., Ltd.		5,195,408	11.90%
Believing Power Co., Ltd.		4,105,747	9.40%
Happy Forever International Ltd.		3,936,390	9.02%
KC Billion Investment Co., Ltd.		2,678,920	6.14%
Luckace Investments Limited		2,418,362	5.54%
Well Pacific Worldwide Co., Ltd.		1,010,447	2.31%
Mega Venture Capital Co., Ltd.		636,000	1.46%
Lee Chon-Cheng		476,772	1.09%
Topson Holdings Limited		474,715	1.09%

**(5) Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information**

Unit: NT\$; Thousand Shares

Item		Year	2018 (International Financial Reporting Standard Applied)	2019 (Applying International Financial Reporting Standard Applied)	Up to Mar. 31, 2020
Market Price Per Share	Highest		66.8	60.9	51.3
	Lowest		48.4	48	28.55
	Average		59.21	54.52	44.46
Net Worth Per Share	Before distribution		40.44	43.02	40.75
	After distribution		37.84	41.12	(Not distributed)
Earnings per share	Basic Weighted average shares		39,196	43,665	43,665
	Earnings per share		3.74	2.31	1.29
Dividend per share	Cash Dividend		2.6	1.90	(Not distributed)
	Stock Dividends	Stock Dividends Appropriat ed from Retained Earnings	—	—	—
		Stock Dividends Appropriat ed from capital surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investme nt	P/E ratio		15.83	23.60	—
	Price-dividend ratio		22.77	28.74	—
	Cash dividend yield%		4.39%	3.48%	—

**(6) Company's dividend policy and implementation thereof**

**i. Company's dividend policy developed in the Company's by-laws**

From the Company's by-laws article 14.4, "If the Company gains "revenue"(defined afterwards), 0.1% to 10% of the annual revenue should be contributed to the employees' compensations, the contribution target of the employees' compensation includes the employees belonged to the Company

meeting certain requirements; The Company shall contribute no more than 2% of the annual revenue to the directors' (exclusive of independent directors) compensations. The employees' and directors' compensation distribution proposal shall be executed for the proposal resolution is made for that two-thirds of directors attend the board of directors' meeting and over half of attended directors are approved of the proposal, and be reported at the shareholder's meeting. Yet, if accumulated deficits are remained, the Company should retain the amount for compensation in advance, and then contribute the employees' and directors' compensation with the mentioned percentage of revenue. The "revenue" refers to the net profit before tax, and to avoid ambiguity, the net profit before tax refers to the amount before paying the employees' and directors' compensation."

From the Company's by-laws article 14.5, "The Company operation refers to the niche market of specific demand and customized goods, and is in the growing stage. The board of directors shall consider earnings of each fiscal year, overall development, financial plan, capital demand, industry prospect and the future prospect of the Company to draft the shareholders' dividend distribution proposal and report to the shareholder's meeting for a resolution. When the board proposes the earning distribution for emerging stock trading or during the listing in TPEX period, aside from implementing the contribution based on the article 14.4, the board shall prepare the following together with the earnings of each fiscal year: (i) reserve payment for corresponding fiscal year; (ii) compensation for past deficit amount; (iii) surplus reserve for 10% of earning (or statutory surplus reserve hereafter); and (iv) the special capital reserve demanded according to the regulations for public companies by R.O.C. authority of securities."

From the Company's by-laws article 14.6, "Under the circumstance that the Company Act of Cayman Islands is not violated, if there are residual earnings after contribution of the employees' and directors' compensation based on the article 14.4 and preparation of amount the board considering to be appropriate based on the distribution policy of the article 14.5, the residual earnings shall be combined with all or part of undistributed earnings of past years, and among it not less than 20% of the earnings after tax that year should be distributed based on the shareholder's shareholding percentage as the shareholder's dividend after that the board considers financial, sale and operation factors and suggest the approval of the distribution in shareholder's meeting. Nevertheless, for the shareholder's dividend, the cash dividend should not be less than 10%."

**ii. The drafted dividend distribution this year**

The Company's earnings distribution proposal was drafted by the board on Mar. 24, 2020, in which cash dividend of NT\$1.9 per share is to be distributed, and the proposal will be reported to the shareholder's meeting on Jun. 23, 2020 for a resolution.

**(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted for this year**

The Company did not distribute any stock dividend, so such effect is not present.

**(8) Compensation of employees, directors, and supervisors**

- i.** The compensation percentage or range of employees, directors and supervisors as replied by the Company's by-law: See the above "dividend policy" for details.
- ii.** If the estimation base of employees', directors' and supervisors' compensation estimates this period, the share calculation base for employees' compensation from the share distribution, and the real distributed amount has discrepancy with the estimated amount, the corresponding accounting manipulation: The Company implements the estimation for planned distribution earnings based on decree, by-law and experience. The discrepancies between the employee bonuses resolution by the board, the real distribution of the directors' and supervisors' compensations and the recognition amount in financial statements will be viewed as the changes in accounting estimates, and are listed to the loss or profit for the next fiscal year.
- iii.** Information on the resolution of employees' bonuses approved by the board and the related matter
  - a.** The cash dividend, stock dividend for employees and compensation for directors and supervisors will be distributed. For the differences to the annual estimation of the recognition fee, the difference, reasons and corresponding measures should be disclosed: None.
  - b.** The stock dividend distribution resolution to the employees and the ratio to the net profit after tax and employees bonus total in individual or respective financial statement: None.
  - c.** The estimate earnings per share after the resolutions for the bonus of employees and the compensation of directors and supervisors are distributed: 2.31
- iv.** The compensation distribution and results reported in the shareholder's meeting
  - a.** The final distributed employees' cash and stock dividends and directors' and supervisors' compensations are reported to the shareholder's meeting. If any difference to the Board resolution of distribution, the difference, reasons and corresponding measures should be disclosed: The Company's compensation distribution of Y2018 for NT\$240,000 to employee together with NT\$ NT\$1,200,000 to directors been reported in the annual general shareholders' meeting of Y2019, there is no difference between the resolution made by the board of directors.

- b. For the employee’s stock dividend distribution resolution by the board, the distributed shares and the ratio to the capital increase by earnings: None.
- v. The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (including shares distributed, monetary amount, stock price) and any discrepancy between the recognition compensation for employees, directors, and supervisors. The discrepancy, reason, and response should be specified: None.

**(9) Share repurchases: None.**

**2. Corporate bonds**

Execution Status of Corporate Bonds

Type of Corporate Bonds	The 2 <sup>nd</sup> unsecured convertible corporate bond within territory of the R.O.C.
Issue(Execution) Date	Nov. 28, 2019
Face value	NT\$100 thousand of each bond
Issue and trade place	Not applicable
Issue price	NT\$100 thousand of each bond, issued fully based on the face value
Total value	Total value issued: NT\$200,000 thousand
Interest rate	Annual interest rate on the ticket face: 0%
Expiration Date	Three-year period expiration date: Nov. 28, 2022
Credit Association	None
Trustee	Mega Bank, Department of Trusts
Underwriter	Grand Fortune Securities Co., Ltd.
Certified Lawyer	Not applicable
Certified Public Accountant	Not applicable
Redemption Method	Except of converting back to common stock by the bond holder according to Article 13, or buying back by the Company according to Article 21, and cancellation after buying back from over-the-counter markets by the Company, the Company implements redemption by cash at one time based on 101.5% of par value as the bond expires.
Un-redeemed Principal	NT\$200,000 thousand up to the date of Apr.30, 2020.
Provision of Buying-back or Settlement in advance	Execution is based on articles 21 “The Buying-back” of the Company’s rule for issuance and conversion of convertible bond
Restrictive Covenants (Note 1)	None
Name of Credit Assessment Institution, Assessment Date and Assessment Result	Not applicable

Other attachment rights	Amount of converted (exchange or stock warrant) Common Stocks, Global Depository Receipts, or other securities up to the publication date of the annual report.	NT\$ 00 thousand up to May 20, 2020.
	Rule for issuance and conversion (exchange or stock warrant)	Please refer to the Company's "rule for issuance and conversion of convertible bond"
Possible Dilution to Equity Right and Effects on the Shareholders' Rights by Rule of issuance, conversion, exchange or warrant and the issuance condition		Based on current circulating amount of NT \$ 200 Million and the current convertible price of NTD \$54.60, it might be increased by 3,663,000 new shares. The maximum dilution ratio against to the existing shareholder's equity is 7.74%, which is not significant, and the holders of conversion bonds are usually converse to ordinary shares by gradual does neither have an immediate effect nor have a significant impact on shareholders' equity.
Custody Exchange subject agency Name		Not applicable

Note 1: For instance, the limitation to cash dividends payouts, investment abroad or the requirement of keeping a fixed asset ratio.

#### Information on convertible corporate bonds

Type of corporate bond (Note 1)		The 2nd unsecured convertible corporate bond within territory of the R.O.C.	
Year		current year up to March 31, 2020 (Note 2)	
		2019	
Market Price of Convertible Corporate Bond	Highest	101	103.3
	Lowest	100.05	89.2
	Average	100.50	100.42
Conversion Price		Adjusted to NT\$54.6 on Dec. 23, 2019	Not applicable
Issuance(Execution) Date and Conversion Price at Issuance		Nov. 28, 2019 NT\$ 55	Not applicable
Carrying-out Method for conversion obligation (Note 1)		None	delivered 0 issued shares

Note 1: Delivery of issued shares or issuance of new shares

Note 2: The 3-year convertible corporate bond's expiration date: Nov. 28, 2022.

3. Preferred shares: None
4. Global depository receipts (GDR) : None
5. Employee stock warrants: None
6. Status of new shares issuance in connection with merges and acquisitions: None
7. The status of implementation of capital allocation plans:

(1) Plan Content: According to the capital increase by cash approval on 2019/11/06 by Securities and Future Bureau No. 1080334512, Financial Supervisory Commission (Taiwan), the Executive Yuan, the Company executed the capital increase by cash on 2019/12/23 on the objective of operation fund enrichment. For the capital increase by cash, the issuance of 4,200,000 common shares at the face value NT\$10 and the issue price NT\$47 per share raised fund of NT\$197,400 thousand. On the other hand, according to approval on 2019/11/06 by Securities and Future Bureau No. 10803345121, the issuance of 2,000 unsecured convertible corporate bonds “jpp2KY” was executed on 2019/11/28, amounting to NT\$0.2 billion for three-year period, on the objective of operation fund enrichment and repayment of banking loan.

(2) Execution Status: the Company has finished the fund-raising based on the original plan up to the 4<sup>th</sup>Q of 2019.

(3) Introduced Affect: the fund-raising plan was finished at the 1<sup>th</sup> quarter, 2020 and was aimed at enriching the operation fund, which is not only to enhance the stability of long-term capital, to increase the self-capitals, to reduce the interest load from loan and to yield flexible financing, but also strengthens the financial structure and enhance the debt-paying ability, and the related issues are addressed below:

(i) To repay bank loans: The Company is expected to repay the bank loan of NT\$ 345,218 thousand with this funds-raising project. If it is calculated based on the interest rate of the bank loan to be repaid, it is estimated that interest expense can be saved by about NT\$8,970 thousand in 2020, and the interest expense can be saved by about NT\$9,785 Thousand will moderately reduce the company’s financial burden and dependence on bank loans, thereby enhancing long-term competitiveness and improving financial structure.

(ii) To enrich operation funds:

Unit: NT\$ Thousand

Item of Plan	Schedule to complete	Amount requested	Timing of capital
			The 1 <sup>st</sup> Q of 2020

Repay bank loans	The 1 <sup>st</sup> Q of 2020	345,218	131,274
Enrich operation funds	The 1 <sup>st</sup> Q of 2020	52,182	52,182
Total		397,400	183,456

The company intends to use NT\$52,182 thousand of the amount raised this time to enrich working capital. In addition to increasing long-term capital, stable sources, and improving short-term debt repayment capacity, it also reduces the interest burden caused by borrowing from financial institutions. This will strengthen the company's long-term competition and increase the flexibility of capital rollover. Based on the current average short-term banking rate of 2.96%, it is expected to save interest expenses of NT\$1,416 thousand in 2020, and NT\$1,545 thousand in 2021.

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Scope

##### i. The main operational categories of the company

The companies currently focuses on manufacture of non-consumer electronics in the niche market, providing customers one-stop services from product design to finished products, and small-volume production of a wide range of different items. It employs high-level automation and digitalization of precision machining technology. The company targets at the high-end market, and its major products include mechanical parts of avionics systems, 4G communication cabinets, networking equipment, add value machine, food testing instrument, automotive cooling fan and sensor, solar inverter chassis, server, mechanical parts of medical display, game consoles, components of high-speed rail vehicle, industrial printers, etc. Its customers are global first-tier companies whose products are applied in communications, electronics, aerospace, medical, green energy, food equipment, automobiles, transportation and other industries.

##### ii. The Sales Proportion of the Main Products of the Business

UNIT: NT\$ thousand ; %

Main Products	2018		2019	
	Operating revenues	%	Operating revenues	%
Telecommunications	340,329	27.95	462,335	32.16
Electronics	297,073	24.40	198,699	13.82

Aerospace	280,588	23.05	506,455	35.23
Healthcare	37,757	3.10	27,749	1.93
Other	261,828	21.50	242,343	16.86
Total	1,217,575	100.00	1,437,581	100.00

**iii. The company's main product collections:**

**Main product series are listed as follows:**

**A. Telecommunication**

- (A) 3G CABINET Series
- (B) 4G CABINET Series
- (C) I Mobile General Payment Series
- (D) COVER AMARA TESE Series
- (E) UPS+Battery Series
- (F) Smart Meters Series
- (G) IOT CABINET Series
- (H)SEVER RACK Series

**B. Electronics**

- (A) Optical base for 3D theater Series
- (B) Electronic control device box Series
- (C) Power distribution control panel Series

**C. Aerospace**

- (A) Flight Control System enclosure Series
- (B) Cockpit System and Displays enclosure Series
- (C) Mechanical Series of Electrical System and Power Conversional System

**D. Medical**

- (A) Diagnostic Displays Series
- (B) Radiology Displays Series
- (C) Mammography Displays Series
- (D) Surgery Displays Series
- (E) Mechanical Series of Point of Care Device

**E. Others**

- (A)Cabinet for food analyzer Series

- (B) Battery chassis for Green power system Series
- (C) Entertainment Series
- (D) Automotive Series
- (E) Industrial Printer & 3D Printer Series
- (F) High-Speed Railway Series
- (G) Oil Tank Series

**IV. New products (services) development projects:**

The sales department determines the future product development directions depending on the market needs and product development trends that meet market trends and values. In terms of production process and technology development, the company will enhance the production process technology capabilities and introduce new automation equipment to improve production efficiency and product quality. The details are listed in the follows:

Mid-term and long-term product development directions:
(1) Developing products with high-standard production process used in the aerospace industry. Aggressively expanding sales channels of diverse products, and high-speed rail, telecommunication infrastructure, food industry, electronics, medical and automotive fields with certifications. Recently, the company started a new business of electric machinery system assembly, such as ticket vending machines in MRT stations.
(2) In line with the Thailand's local government policy and the development trend of Thailand 4.0, the relevant infrastructure is expected to be implemented. Especially in the next 20 years, the Thai government will focus on the investment in the Eastern Economic Corridor and Digital Park. The high-speed rail project in the eastern part, and Internet of Things (IoT) related applications are expected to bring business opportunities. The company will cooperate with customers to develop the telecommunication market in the ASEAN region.
(3) JPP entered the avionics market with mechanical and structural components besides airplane cockpit components.
Mid-term and long-term production process and technology development:
(1) The new ERP system and KIOSK software and hardware systems have been implemented. At the same time, the plant adopts paperless policy that the R&D team has continuously tested parameters tuning to ensure the

<p>correctness of the collected big data. In the future, the company will employ big data to improve the production process of sheet metal, and integrates sensing systems and industrial technology to optimize the entire production process, and to make the best use of the resources, realizing the smart factory.</p>
<p>(2) Newly-built automated painting lines.</p>
<p>(3) Building a new plant for the manufacture of aerospace products, and applying for NADCAP accreditation in several special process categories like anodizing and thermal processing procedures. The certifications include mechanical parts of cockpit, and other sheet metal components.</p>

**(2) Industry Overview**

**i. Industry status and development**

**A. Global metal product industry**

In 2018, the market scale of the metal products industry in emerging markets, including Asia, Africa and the Middle East, and Latin America will continue to expand, accounting for 36.96%, 9.99% and 8.69% respectively. Among them, emerging markets such as Brazil, China, India and Southeast Asia, the Middle East and Russia are expected to have rapid growth (see figure 1).

In light of the metal market in emerging Asian, developed countries in Europe and the United States only produced high value-added products due to enhanced production technology and rising labor costs, and outsourced general products to developing countries that led to the rise in Southeast Asia. Only high value-added products are produced; Southeast Asian countries are gradually emerging. Infrastructures and residential building constructions are a new growth driver in Thailand, Vietnam, Cambodia, Laos and other ASEAN countries.

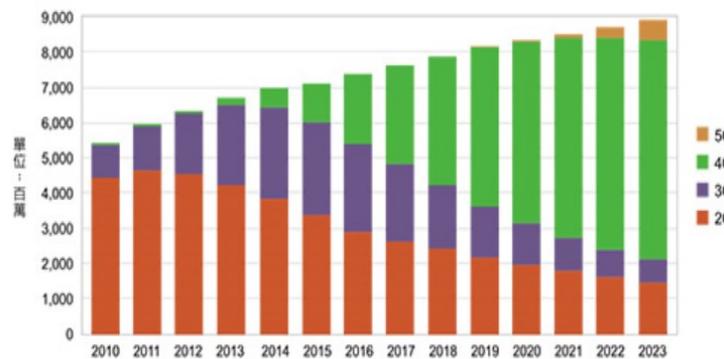


( Figure 1 )

**B. Global telecommunication industry**

Driven by the demand for smart phones, the global mobile communications market reached a long peak in 2015, but the subsequent market scale growth tended to moderate. In recent years, with the growth of IoT applications, related business opportunities have taken off. According to research data from Strategy Analytics, an international communications market research agency, from 2018 to 2023, the number of global mobile communications users will continue to show a growth trend, and 5G will be gradually launched in 2020. Commercial transfer, until 2023, global mobile communications users will reach 9 billion. In addition, due to the development of multiple mobile service business models with 4G and 5G mobile communications, the global mobile communications market has risen from the bottom in 2017, and the rise of AIoT combining artificial intelligence (AI) and the Internet of Things (IoT), plus edge computing Demand, the growth rate is accelerating.

Global mobile communications user growth trend



Source: Strategy Analytics (2018/04)

According to MIC data disclosed, the main development trend of the mobile communications industry since 2018 includes:

- (A) 5G starts commercial use, and related industries are ready to go
- (B) Paving the way for Gigabit LTE download rate
- (C) Wi-Fi / Bluetooth launches new standards to strengthen smart applications
- (D) Brain-computer interface emerges
- (E) Three development trends of unmanned retail stores
- (F) Smart clothing high growth
- (G) Three directions of industrial robots
- (H) AR recreates new business opportunities for virtual and real interactions
- (I) Payment, fashion and communication create smart wristband opportunities

In addition to China, India, Indonesia, Thailand, Vietnam and Malaysia are also important markets to watch in following years with market growth potential. In addition, emerging markets have become a key business opportunity for the communications industry in the future. Not only is the smartphone holding rate higher than in developed countries, the number of people with smart bracelets and watches also exceeds the global average, benefiting from the rise of wireless network applications, mobile devices. The strong market growth has become an important goal for brands to

seek growth. Looking at the countries alone, the United States will maintain its position as the largest telecommunications market by 2016, but China is following closely. And in terms of market scale growth rate, in addition to China, India, Indonesia, Thailand, Vietnam, Malaysia, etc. are all markets that the mobile communications industry deserves attention in the next few years

### C. Global server industry

According to the TrendForce memory storage research (DRAMexchange) study, due to industrial transformation and the increase in the popularity of smart terminal devices, most of the services in recent years have been integrated through servers, especially those that require huge data for calculation and training Services, even driven by virtualized platforms and cloud storage, have an increasing demand for servers. With the improvement of hardware and software technology, and the development of the Internet, the service-oriented architecture (SOA) has gradually emerged, making the concept of cloud computing services popular, and various cloud services Innovating and bringing about changes in life style, the rapid growth of global network resource requirements, coupled with the streaming video platform prevailed, high-resolution image quality penetration rate, and the construction of a global high-speed network, video stream has become biggest item among the network. The largest project, and continue to dominate the growth of network volumn. In the next few years, the upgrade of data center transmission speed will be the general trend, and the data stream volumn of network IP continues to climb. The important business opportunities of service providers (Facebook, Apple, Amazon, Google, Microsoft, Baidu, Alibaba, Tencent, etc.), therefore driving the demand for the construction of related large data centers.

From the perspective of memory market demand, the memory consumption will be driven by the capacity of server accommodation. According to DRAMeXchange statistics, an average data center can accommodate about 8,000 to 15,000 server racks, and one rack can carry more than 4 units. It is estimated that servers of different sizes will consume about 10Mn GB to 20Mn GB of server memory. Before 2020, there are still more than ten construction projects underway in the world's seven largest network data centers. Among them, North American companies include 80% of the world's total. On the other hand, Chinese companies have benefited from policy-driven data in the past two years. The server demand of the center is expected to maintain an annual growth rate of 20% to 30% by 2020.

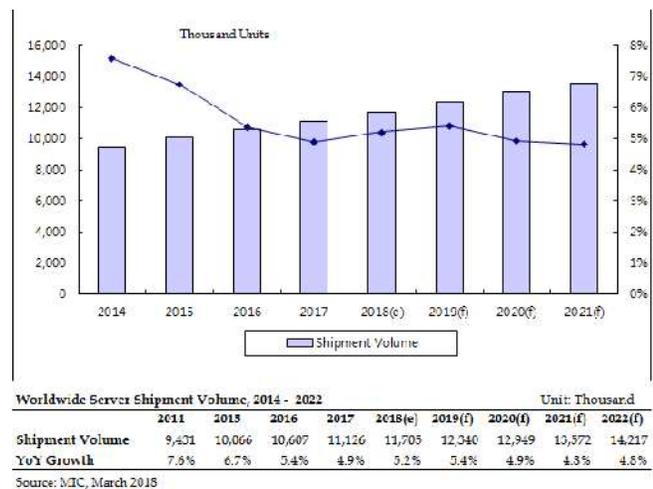
With regard to the demand side of the memory, the increasing demand of memory capacity from the server market is a major driving force. According to DRAMeXchange's statistics, a datacenter can accommodate about 8,000 to 15,000 server racks, and one rack can carry more than 4 units of different sizes on average. It requires approximately 10Mn GB to 20Mn GB of server memory. By 2020, there are still more than 10 construction projects underway in the world's seven major network data centers. Among them, North American companies account for 80% of the global market. Chinese industry players benefit from the national policy on data center construction in the past two years. The server demand of the datacenter is expected to maintain an annual growth rate of 20% to 30% by 2020.

In response to the proliferation of artificial intelligence (AI), high-definition audio and video streaming and online live broadcast, high-speed computing and transmission of data, Intel and AMD have successively launched a new generation of server platform products, of which Intel's next-generation Xeon® (Scalable Processors) is designed based on the Skylake-SP architecture, and the Purley server platform launched by it replaces the existing Brickland and Grantley platforms. The Purley platform has higher computing performance and lower power consumption. Compared

with the currently widely used systems on the market, it can provide up to 4.2 times the performance improvement, so the replacement demand of data center operators is gradually increasing, driving a new wave of servers replacement.

According to Frost & Sullivan, an international market research organization, there will be about 50 billion connected devices in the world by 2025, which will come from applications such as wearable devices, smart homes, smart transportation, smart factories, smart energy and smart cities for the needs of data center. On the other hand, network technology has shifted from 3G to 4G, 5G, high-frequency bandwidth, and large-scale streaming, which has accelerated infrastructure services and increased user access to content, and as cloud applications continue to increase, companies will increasingly rely on the cloud. The platform stores important data or provides services, and maximizes the benefits of business operations through cloud solutions. With the increase of cloud applications, the scale of data centers of global network service providers continues to grow. According to MIC estimates, the global server market still has room for stable growth in 2018-2021.

Global market scale of server



In addition, due to the impact of the Covid-19 pneumonia epidemic, the original living habits of mankind have been changed. Global home office, epidemic prevention rotation, and remote backup have become obvious schools, which has created a significant increase in the demand for remote video and cloud servers. After 2020, the demand of data center servers will grow massively.

#### D. Global aerospace industry

Global governments are removing restriction of the global air transportation market. It brings huge benefits for consumers, boost business and the tourism industry, thus driving the growth of the air transportation and travel markets. The global aerospace industry is introduced in three parts as follows,

##### (A) Global aerospace market overview

The report from International Air Transport Association (IATA) found that global air passenger traffic exceeded 4 billion in 2017, and will reach record high to 7.8 billion by 2036, with the number of air passengers in the Asia-Pacific region reaching 3.5 billion. To meet this demand, Boeing expects to the global airlines will require 16,050 new aircrafts, worth US\$ 2.5 trillion. Orders from Asian airlines are predicted to account for 40%. The Asia-Pacific region, seen as the

major driving force of the market growth has become the target market to the aircraft makers. The global aviation industry has been dominated by the US and European companies for a long time, especially by the North American market when it comes to passenger flow, logistics, profit, and capital market performance. However, in the 21st century, the Asia-Pacific region has become the largest air transportation market in the world, firstly surpassed North America in 2009, with the passenger flow reaching 662 million.

According to the survey data of United Nations Population Census and IATA, the global population amounts to about 7.5 billion, the people with high air travel frequency are ranging in age from 15 to 64, reaching total population of 4.9 billion. By 2036, the number of air travel is expected to grow by 17%, driven primarily by the growth in Asia Pacific and Africa. In contrast, the aging population travel by air in Europe will fall by an average of 0.5% year-on-year. The large air-travel group in the Asia Pacific region shows great business potential in the future air passenger transport. In the long run, the economy in the Asia-Pacific region has risen sharply. The cost of air travel is expected to continue to decline with inflation. More and more people will travel by air. These factors will continue to push the aviation industry to expand their business in the eastern world in the next few years.

The Asia Pacific region is the biggest area to boost global market demand of the aviation market, where more than half of new passengers will come from in the next 20 years. According to the latest IATA's report, the number of new passengers in the Asia-Pacific region is expected to reach 2.1 billion by 2036, and the total number of air passengers will reach 3.5 billion. The number of new passengers in the Chinese market will reach 921 million, and the total number of air passengers will reach 1.5 billion. The report predicts that the Chinese market will surpass the US market in 2022, based on the passenger traffic of international flights departing China and domestic flights, making it the world's largest market. In 2026, India will replace the UK to be the third largest aviation market, and Indonesia will replace Italy to be the top ten markets.

In fact, the Asia-Pacific market has become the main growth engine of global air transport market currently. According to the latest statistics, in 2017, the Asia-Pacific air passenger market accounted for 33.7% of the global market, leaving Europe (26.5%) and North America (23%) far behind. More importantly, the Asia-Pacific market is leading the world with several key indicators. For example, the passenger traffic growth rate calculated by "Revenue Passenger Kilometers (RPK)" was 10.1% in the Asia-Pacific region last year, much higher than 8.2% in Europe and 4.2% in North America, and significantly higher than the global average of 7.6%. Looking at the growth in air transport capacity calculated by the "Available Seat Kilometers (ASK)", the Asia-Pacific region grew at a rate of 8.4% last year, far exceeding Europe's 6.2% and North America's 4.2%, and significantly higher than the global average of 6.3%. In terms of Passenger Load Factor (PLF), Asia-Pacific airlines' PLF increased by 1.3% year-on-year, Europe and North America were 1.5% and 0.1% respectively, and the global average was 0.9%. The outstanding performance of the aviation market in the Asia-Pacific region contributed to the growth of global passenger transport market.

Looking at the freight market again, the IATA's regular global air cargo research data shows that global air cargo demand has surged due to strong exports growth from global manufacturing industries and rapid inventory replenishment. In terms of Freight Tonne Kilometers (FTK) in 2017, the global air freight market increased at 9.0%. The growth rate was 2.5 times the figure which was 3.6 percent in 2016, and doubled the world trade growth rate at 4.3%. Alexandre de Juniac, IATA's

Director General and CEO, said the air cargo industry recorded its strongest growth in 2017 after the global financial crisis, with the market demand growing at 9 percent. It surpassed air passenger transport market. Besides, cargo load factor, revenue and income are on the increase.

The statistics shows that Asia Pacific accounted for 37% of the global market, and Europe and North America were 24.2% and 20.5% respectively in 2017. Based on “Available Freight Tonne Kilometers”, the growth rate in the Asia-Pacific region was 7.8%, and in Europe and North America, it was 11.8% and 7.9% respectively. Compared with the previous year, the cargo load factor increased 3.4% in the Asia-Pacific region, 2.4% in Europe, and 2.1% in North America. We could see the increasing demand in the Asia-Pacific market as a major driving force of the global freight market, and the region plays an increasingly important role.

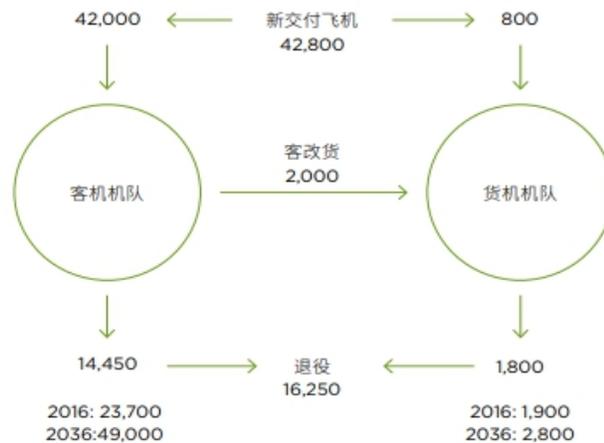
#### (B) Global passenger aircraft market trend

The global economy grows at 2.9% per year on average over the next 20 years. Avolon predicts that passenger traffic by air will increase at 5.4% per year (Figure 1), which is equivalent to 1.8 times GDP. The growth rate of capacity is expected to be slightly lower, with an annual growth rate of 5.2%. The air freight demand is expected to grow at a rate of 3.9% per year, while the growth rate of dedicated all-cargo aircraft traffic is slightly lower, at 3.4% per year. Nearly 43,000 aircrafts will be delivered in the next 20 years, including 42,000 passenger aircrafts and 800 cargo aircrafts (Figure 2).

国内生产总值 (GDP)	2.9%
旅客周转量 (RPKs)	5.4%
可用座公里数 (ASKs)	5.2%
货运量	3.9%
在役机队规模	3.6%
每单位座公里数耗油量	-1.4%

图表1 - 未来20年平均增长率

By 2036, the number of global aircrafts will surge from 25,600 to 51,800, among which there are 2,800 dedicated all-cargo aircrafts. Converting passenger aircraft into a freighter can satisfy two-thirds of the market needs. It's estimated that 2,800 new cargo aircrafts will be added in the next 20 years; more than 16,000 aircrafts will be decommissioned during this period, taking up 64 percent of the airplanes in service. Therefore, 40% of the deliveries will be used for the replacement of the aircrafts, and the remaining 60% will meet the growing needs of the entire industry.

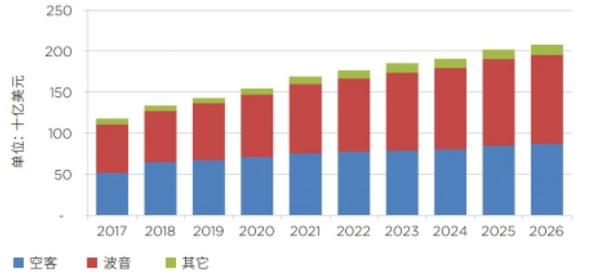


图表2: Avalon未来20年世界机队预测的构成

Avolon predicts that the fleet capacity utilization rate will increase by 7%, and the average capacity will increase by 14% in the next 20 years. It shows a constant trend for increasing holding volume. The carrying capacity of an aircraft is almost the same in the 20-year forecast period, and the passenger load factor is slightly higher than 80 percent without large fluctuation in the whole cycle; however, compared with narrow-body aircrafts, wide-body aircrafts are expected to face more pressure on the passenger load factor in the middle of the forecast period.

The total financing cost of new airplane deliveries based on delivery price will exceed US\$4.2 trillion in the next 20 years. The average annual demand in the next decade will increase from US\$110 billion to US\$200 billion. The average amount is around US\$170 billion (Figure 3). By the end of the forecast period, Airbus and Boeing will still be the major suppliers, accounting for more than 90% of the market.

The Asia-Pacific region grows the fastest in the world. It is estimated that after 20 years, the region will surpass North America to become the world's largest aviation market, followed by North America and Europe in the second and third places. The global market will continue to grow at 4.6 percent per year. According to the CURRENT MARKET OUTLOOK 2017-2036 report released by a commercial aircraft maker Boeing in 2017, due to the rise of low-cost airlines and the middle class in the emerging ASEAN countries, the world market will expand in the next 20 years with an annual growth rate of 4.7%. The global market output will reach 41,030 aircrafts, and the value rose to US\$ 6.1 trillion. The market demand in the Asian market has risen exponentially to 16,050 aircrafts approximately, and has become the mainstream market.



图表3 - 未来十年交付融资需求展望

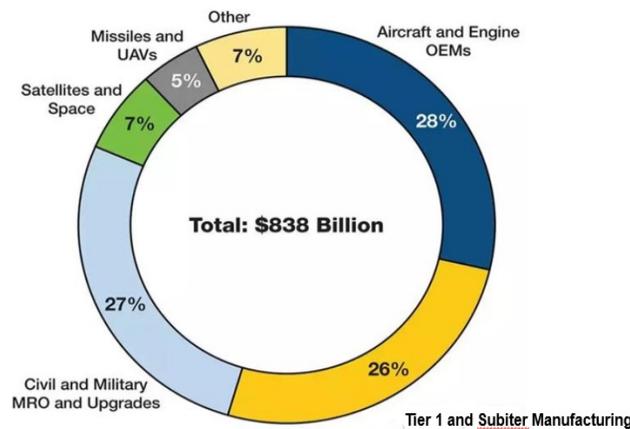
(C) Supply chain and development trends of the aviation industry

The supply chain of the aviation industry can be categorized into four tiers under the tier of aircraft manufacturers like Boeing and Airbus. The first tier group includes the manufacturers of fuselage, propulsion, flight management system, and key components. The second tier includes makers of in-flight equipment and subsystems. The third tier includes component suppliers. The fourth tier includes materials suppliers and manufacturing services companies.

Due to the rapid growth of global air transportation market, the adoption of composite materials and cabin automation will lead to machine replacement. The total number of new passenger aircrafts delivered to various regions in the world will exceed 43,000 in the next 20 years. Huge business opportunities are anticipated driven by increasing numbers of new airplanes and MRO market. However, under the pressure to meet the profit targets, aircraft manufacturers will use various methods to reduce costs, and adopt new materials and new manufacturing technologies. The companies outsourced production of main and secondary modules to the assemblers.

In addition, according to the research on the size of the global aviation market by the American Aerodynamics Consulting Company, statistics are related to the activities related to the development, production and maintenance of aircraft and space vehicles. The global aerospace market reached USD 838 billion in 2017. For example, the breakdown of the aviation industry market (as shown below) includes 54% of the aircraft manufacturing industry, including primary manufacturers (OEM), primary and secondary suppliers (ie (Aircraft system and component manufacturers); satellites and space account for 7%; missiles and drones account for 5%; MRO (Maintenance, Repair, Overhaul; maintenance, repair, refurbishment) contributes 27%, worth 225 billion US dollars Including maintenance, upgrades and related parts and services.

Decomposition of global aerospace industry market in 2017



Source: Aerodynamic Consulting and Teal Group (2018)

It can be seen that with the rapid growth of global aviation passenger demand, the application of composite materials and the automation of in-cabin machines, the total number of new passenger aircraft delivered in various regions of the world in the next 20 years, the new machine manufacturing and MRO (Maintenance, Repair, Overhaul) huge business opportunities will be expected.

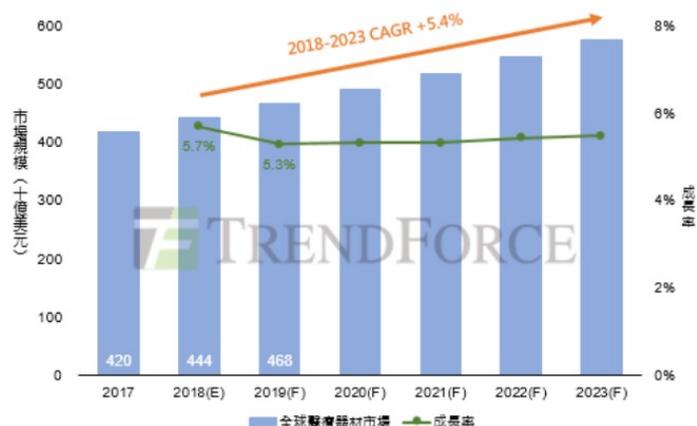
#### E. Global medical equipment market

The research firm IEK pointed out that the demand for medical equipment in the world continues to grow. The medical equipment industry in Taiwan needs to combine technologies in different industries to enhance competitiveness, and enters emerging markets to explore business opportunities. In addition, the healthcare industry is booming. It's a trend to apply big data and artificial intelligence technology in the sports technology applications. IEK said that the demand for healthcare products continues to rise because of global aging. The developed countries apply innovative technologies, including physiological signal monitoring, data exchange platforms, big data analysis, artificial intelligence, precision medicine and intelligent robots to provide efficient healthcare solutions.

On the other hand, developing countries are gradually establishing medical care systems through healthcare reform policies, and will invest more resources in basic medical infrastructure. It is estimated that the global medical device market will continue to grow steadily in the future. In the health care industry, IEK pointed out that the health and care industry has gone out of the traditional service industry atmosphere, and more and more cases of the application of Internet of Things (IOT) technology, AI artificial intelligence, and sensing technology have been released. The care industry is booming.

According to the latest report of the global market research organization TrendForce Biotechnology Industry, as consumers' awareness and requirements for medical treatment and health management increase, coupled with the cross-domain integration of new technologies such as computer computing, digitalization, and artificial intelligence, this The global medical materials market has grown steadily. The size of the global medical materials market in 2018 is estimated to reach US \$ 444.2 billion, and the output value will grow to US \$ 577.6 billion by 2023, with a compound growth rate (CAGR) of 5.4% from 2017 to 2023.

Global medical materials market scale and annual growth rate, 2018-2023



Source: TrendForce (2019/01)

#### F. Global test instrument and equipment market

According to Japan Analytical Instrument Industry Association (JASIS), the number of new technology seminars held for “Food, Environment, and Automotive” increased rapidly in 2016. The number of lectures on new food technology was only about 22% in the market. There is still room for growth, and it is expected to become the growth engine of the inspection industry. In 2016, there were 175 technology seminars, much higher than the other 11 fields including environment and healthcare. With regard to testing, industrial testing currently accounted for more than half of the market. The market share of life sciences, food and environmental testing was only about 22%. However, there is still room for growth of the fields, expected to become the growth engine of the testing industry.

The research firm Transparency Market Research indicated that the market value of the food safety testing market exceeded \$ 658 million in 2017 and will continue to grow at a CAGR of 8.9% between 2017 and 2025. Food safety issues are critical to the health of the people.

In addition, according to a report by the market survey company Mais Consulting, the food safety testing market size is expected to grow from US \$ 17 billion in 2018 to US \$ 24.6 billion in 2023, with a compound annual growth rate of 7.7% during the forecast period. Increased demand for convenience and packaged foods, increased chemical contamination incidents in the food processing industry, and increased consumer awareness of food safety are the main factors driving its rapid growth. At the same time, the outbreak of global food-borne diseases and the globalization of food trade have also driven the increase in demand for food safety testing services.

In recent years, the security incidents reported by the media gave a wake-up call to the public and the government with enormous social repercussion. The government regulatory authorities are forced by public opinion pressures to set up relevant mandatory testing standards and regulations. The corporate also have the incentive to increase investment in testing to create a safe brand image in the minds of consumers. According to the "China Food Safety Testing Industry Development Prospects and Investment Opportunities Analysis Report, 2018-2023" released by the Forward Business and Intelligence Co., Ltd, the demand for rapid food safety tests will maintain a growth rate of more than 15% in the next few years. By 2022, the market size of the domestic food safety testing industry is estimated to exceed 100 billion Yuan.

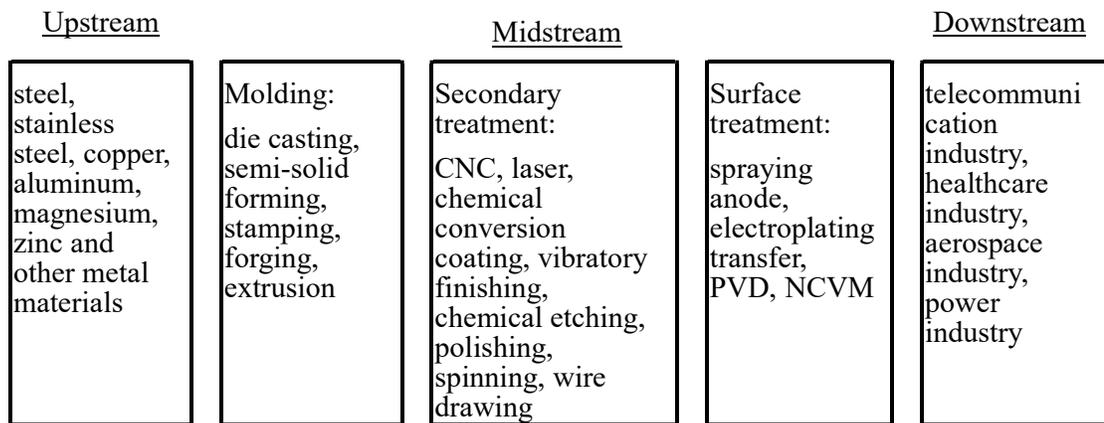
#### **ii. Industry relevance of upstream, midstream and downstream**

Jinpao’s products and services belong to the midstream sector of the industry supply chain. The upstream companies provide raw materials like steel plates, copper plates and aluminum plates. Jinpao purchases raw materials from more than two suppliers, so that they have more choices to change suppliers. The downstream applications include telecommunication, server, cloud storage device, medical equipment and aerospace.

Jinpao’s business is categorized to the metal forging industry based on the industrial classification system of Ministry of Economic Affairs. Its business models are based on Build to Order (BTO), including small-lot production of low-volume high-mix orders (i.e. punching press business) and mass production (ie. tooling design and manufacturing business). With regard to the supply chain of punching press machine, the upstream companies provide raw materials like steel, stainless steel, copper, aluminum. After the purchase of metal materials, Jinpao started the structural design of machine parts, followed by layout, laser cutting, stamping and bending processes. After that, welding, chrome treatment, powder/liquid painting, silk screen printing processes are conducted before finally assembly.

With regard to tooling manufacturing, after the purchase of metal materials and design, Jinpao conducts hard tooling stamping process. After that, welding, chrome treatment, powder coating/liquid painting, silk screen printing processes are conducted before final assembly. The finished products are distributed to companies in the downstream in the telecommunications, medical, aerospace and energy industries. The industry relevance of metal mechanical components in the upstream, midstream and downstream is shown in the following chart.

Industry relevance of upstream, midstream and downstream companies:



### iii. Various product development trends

#### A. Telecommunication

The development of the telecommunication industry has moved from 3G to 4G network. 4G data transfer speed is faster than 3G, so the energy consumption of the communication cabinet and host density is higher compared to 3G. As a result, 4G communication cabinets have more cooling requirements than 3G communication cabinets. The new communication cabinets are required to have high heat dissipation and increased strength in the internal structure in response to the requirement of high density. The main design trend of mechanical parts of servers in the future will

emphasize on heat dissipation, strength structure, energy saving, high density, and rapid maintenance and disassembly.

## **B. Electronics**

At present, the Company provides both general-purpose and custom electronics products. The general-purpose products include the system unit for heat dissipation and mechanical components of cameras. The company's 3D projector is the customized product which is designed and manufactured in accordance with customers' requirements. The internal designs will change depending on the special requirements of electronic components.

## **C. Aerospace**

In response to the increasing demand for air transport in Asia, the aerospace industry in Asia is booming. Aluminum alloys are major materials of mechanical parts used for the aerospace application. In the past, European A5754 is the specified material of aluminum alloy used for the aerospace application. With more suppliers coming from Asia, the market is starting to adopt A5052 aluminum alloy from Asia suppliers to save cost. In addition, it's a trend to simplify internal structure and increase structural strength of mechanical parts.

## **D. Healthcare**

As China and the United States increase health insurance coverage, reduce medical costs and improve medical services, the medical-related spending will increase year by year. The United States will procure affordable medical devices with high reliability to reduce the procurement cost. Since there is expansion of healthcare infrastructure in China, the Chinese medical device market has become more price-sensitive. Therefore, there is an increasing market demand for affordable healthcare products. It's a trend to develop multi-functional healthcare products to further reduce cost.

In terms of materials, titanium alloy is considered to be the best material applied to the invasive medical devices because of the lowest probability of rejection from the body. Stainless steel is considered to be the second best adopted materials. The non-invasive products such as X-ray machine and NMR instrument adopt stainless steel and aluminum because of their excellent resistance to corrosion and rust. As a result, titanium alloy, stainless steel and aluminum are regarded as mainstream metal choices in the coming years.

## **E. Others**

Mechanical parts for the solar energy applications belong to a mature product line. In response to the reduction of solar subsidy policies in various countries, it's a trend to reduce procurement cost of mechanical parts to maintain the rate of return on solar power generation. In the past, solar DC/AC conversion boxes were mainly produced by die-casting process. However, the die-casting parts cost higher than sheet metal. Therefore, the sheet metal has become the mainstream adoption currently.

## **iv. Product competition**

Jinpao focuses on small-volume production of diverse niche products instead of the highly competitive consumer market. Therefore, it's hard for competitors to penetrate the market where

there is no intense competition. For example, Jinpao provides customized intelligent add value machines, and is the sole supplier of the customer. Besides, the company has in-house design and manufacturing capabilities of 4G or 5G communication cabinets. Because of its strong ODM capability, it is chosen as one of major suppliers of the Thai telecoms. The specifications of telecommunication products are varied. Also, the telecommunication supplying model features low-volume high-mix production. Therefore, the industry competition is relatively low.

It takes around three years to get accreditation of aerospace products having strict requirements of safety and stable quality. Also, the suppliers need to have custom design capability. Due to the high entry barrier, it's hard for new entrants to survive in the market. The existing suppliers are hard to replace, and normally the product life cycle could extend to 20 years.

As for the healthcare market, it takes around two years to achieve product certifications. Considering the safety of human body treatment, medical product suppliers are not easy to replace. Also, the hospitals have different needs of healthcare products. At present, Jinpao products are suppliers, providing custom design of mechanical parts of operating table and pathological image display for customers. The company's healthcare products belong to the niche product line, which is predicted to have great growth potential and a low level of competition.

### (3) Technology and R&D Overview

#### **i. Technical level and R&D status**

Since its inception, Jinpao has been continuously researched and developed products on its own, and actively cultivated R&D personnel to keep its competitiveness in the market. The company has its own R&D center and capability to develop its core technology. It employs multinational R&D talents from other countries like Thailand, Malaysia, the Philippines and other English-speaking countries. The Company has built a competent R&D team that can quickly provide solutions in response to the customers' needs.

Jinpao began its business by developing and manufacturing metal stamping dies, and has started to develop CNC manufacturing technology since 1996. The company emphasizes on the development and manufacture of mechanical parts of electronics and telecommunication equipment as well as general metal parts. The company has experienced technical teams with excellent industrial design capabilities and rich mass production experiences, actively developing new production process technology. Jinpao owns in-house R&D capabilities to design innovative and high-quality products,

enable product concept design to mass production, and deliver custom designs.

In terms of R&D, the company's food equipment has met the IP69 waterproof and dustproof requirements. The company conducts machining process of work pieces, and joints sheet metals by spot welding, achieving 50 micron precision. It's time consuming to manufacture mechanical parts by milling process. To deal with the issue, Jinpao used extrusion materials to replace part of the milling process, saving 50% of processing time.

In terms of manufacturing process, Jinpao developed laser cutting process of titanium alloy, the milling process and the welding process. The company is developing precision key components applied for the medical industry, such as artificial joints, bone connection parts and set screw. With many years of efforts and hard work, the Company's products have been recognized by the international companies, and the recently passed NADCAP accreditation based on specific process used in the aerospace application. The company has established a firm foundation in business development of in the aerospace industry. In addition to the research and development of new products and technologies, the Jinpao also put efforts to improve R&D efficiency and IP protection. In addition to the use of computer-aided design, the company introduced the Document Management and Security System (PLM) to implement digitization of important documents to avoid leaking important information of key technology.

**ii. R&D expenses in the last five years**

Unit: NT\$ thousand; %

Year	2015	2016	2017	2018	2019
Amount					
R&D expenses (A)	14,818	15,400	16,647	19,118	20,683
Net operating revenue (B)	1,204,224	1,182,932	1,273,827	1,217,575	1,437,581
R&D expenses as a percentage to operating revenues=(A)/(B)	1.23	1.30	1.31	1.57	1.44

**iii. Product / Technology development accomplishments in the last 5 years**

Year	R&D Accomplishments
2015	Developed UNION LINK CHANCE IT product
	Developed chassis product

	Developed OUT DOOR 2200*1150*1050 product
	Developed smart meters for The Electricity Generating Authority of Thailand (EGAT)
	Developed VENDER GAME CABINET product
	Developed SUPPORT A3500 product
	Developed frame extend product
	Developed FRAME (SUS) product
	Developed LINE HIGHT CHANGE X-RAY product
	Developed side plate assembly C/V Extend product
	Developed HEAD CASE ASSY product
	Developed FORTE, FRONT PANEL ASSY product
	Developed INDICATOR BOX ASSY product
	Developed PLATINUM VX 4RU BASIC FRAME ASSEMBLY product
	Developed DWG MECH ASY, CHASSIS, MTM HEAD products
	Developed KIT,SDE,SUB-ASSY, SHEETMETAL, CHASSIS products
	Developed SMR 1RU CHASSIS product
	Passed U.S. NADCAP special welding process accreditation of chemical conversion treatment coatings
	Developed FRONT PANEL product
	Developed FMB,SDE,RFUP4,700MHG-3.8GHZ product
	Developed PLATINUM PV 8RU BASIC FRAME ASSEMBLY product
	Passed U.S. NADCAP accreditation: the first company to obtain special welding processes accreditation in Thailand
	Developed SMR 2RU CHASSIS product
2016	Passed U.S. NADCAP special welding process accreditation with new items, including Spot, Seam and Projection
	Developed BACK PANEL W900H450 products
	Developed OIL FUEL MACHINE products
	Developed FAB METAL MESH COVER OBO3M MUXPONDER products
	Developed SHIELD EMI SECC products
	Developed ASSY DUAL CHASSIS ROW products
	Developed CHASSIS ASSEMBLY CX/XT-500 products
	Developed 6U SHELF MECHANICAL ASSEMBLY products
	Developed BAS, LCD IP 18.5 IN CASING ASSEMBLY products
	Developed BASE MODULE TL AP BIONIC 5.4 FIXING PLAT products
	Developed Altair enclosure base products
	Developed MECH ASSEMBLY CARRIER SINGLE BAY XCM products
	Developed TERMINAL CU NI products
	Developed MOTOR BRACKET products
	Developed REFLECTOR SUPPORT STRUCTURE products
	Developed ENCLOSURE AMP DRIVERS products
	Developed CLO DIFFUSOR RETAINER products
	Developed HEAT SINK SERVER products
	Developed MACHINED EXTRUDED BASE products
	Developed DISSIPATOR PFC products
	Developed REFLECTOR SUPPORT STRUCTURE products
	Developed OIL TANK products

	Developed TIROIR VENTILATEUR UMC NU products
	Developed Arquimedes bracket products
	Developed Arq motor cover products
	Developed GUIDE, 48CH, AIR CONTROL products
	Developed TRUEMODE BASE PLATE products
	Developed 3M STANLEY INSOURCED BULLDOG I9MM TAPE 3/4 HOOK products
2017	Developed STAND ASSY-JP Telecommunication product
	Developed TRESTLE (SUS) Food Industry product
	Developed INDICATOR COVER ASSY Food Industry product
	Developed Cover top vid_over_ip_dec-single Medical product
	Developed CABINET ASSY,VW-MCHASA.VCI Telecommunication products
	Developed SIDE PLATE SUB ASSY (SUS) Food Industry product
	Developed LENS BKT 1 Electronic product
	Developed INDICATOR BOX ASSY Food Industry product
	Developed SPIRAL BASE PLATE : 7000291-1 Telecommunication product
	Developed CASE CHASSIS IRU Electronic product
	Developed FRONT PANEL ASSEMBLY KIT SET Telecommunication product
	Developed BRACKET,RACK MOUNT Electronic product
	Developed PLATE-NUT Electronic product
	Developed SUB HEAT HOLEDR ASSY(M-LRZ8635ZR) SET Energy product
	Developed FRONT PANEL ASSEMBLY KIT SET Telecommunication product
	Developed SNP MAIN CHASSIS Telecommunication product
	Developed FAB METAL, RF CABLES ASSY BRACKET,IXD SIDE, GEN4 product
	Developed SNP POWER SUPPLY CHASSIS Telecommunication product
	Developed HEATSINK PSM CSDU FOR AVIATOR S Aerospace product
	Developed BONDED RECTIFIER HEATSINK ASSEMBLY Aerospace product
	Developed HEATSINK PROCESSOR BOARD FOR AVIATOR S Aerospace product
	Developed BONDED HEATSINK TRANSFORMER ASSEMBLY Aerospace product
	Developed DISSIPATEUR K Aerospace product
Developed HEAT SPREADER Aerospace product	
Developed PAINTED SIDE COVER PROCESSOR BOARD, AVIATOR Aerospace products	
Developed RECTIFIER HEATSINK ASSEMBLY Aerospace product	
2018	Developed PERFORATE SEPTUM Aerospace product
	Developed EQUIPED STRUCTURE Aerospace product
	Developed ARM Wall Adaptor VGL VESA Finish Aerospace product

	Developed OPTICAL STACK FRAME Aerospace product
	Developed EMC SHIELDING BOX CDMS-3000 Aerospace product
	Developed ARINC 600 CONNECTOR PLATE AVIATOR Aerospace product
	Developed OPERATION BASE FRAME Electronics product
	Developed TIM Cabinet Mounting Assembly Transportation product
	Developed TRESTLE (SUS) Food Industry product
	Developed INDICATOR COVER ASSY Food Industry product
	Developed BOTTOM CHASSIS Medical product
	Developed ARM ROD Automotive product
	Developed 6U SHELF MECHANICAL ASSEMBLY Transportation product
	Developed PCB bracket 5mp crp Telecommunication product
	Developed FORTH EM FOR SHIP Telecommunication product
	Developed BASE,ASY,PERSONALITY SURFACE, MLM Telecommunication product
	Developed IRIS Electronics product
	Developed CHASSIS OEM VERDI POWER SUPPLY Electronics product
	Developed KIOSK-ASM Telecommunication product
	Developed TVM FD ASSEMBLY TVM FD CHM ASSEMBLY Telecommunication product
	Developed 180T DISPLAY ENCLOSURE Transportation product
	Developed 180T ETHERNET HEATSPREADER Transportation product
	Developed POSITIONER HOUSING EXPLORER 5075 NG Electronics product
	Developed POWER WALL Telecommunication product
	Developed DUCT CAV VENT OUTLET Food Industry product
	Developed CRAIT LATERAL OVERFLOW TRAY Electronics product
	Developed SUPPORT DUGONGS STATION MI SKAAR Electronics product
2019	Developed HEATSINK PSM MODULE CSDU FOR AVIATOR S Aerospace module
	Developed HEATSINK PSM CSDU AVIATOR S Aerospace module
	Developed HEATSINK PROCESSOR BOARD CSDU FOR AVIATOR S module
	Developed COVER SPACER FOR PSM Aerospace product
	Developed COVER SPACER FOR MIB Aerospace product
	Developed HSG CAST 3CONN LEFT BLACK Aerospace product
	Developed SCREEN, STRAINER Aerospace product
	Developed CHASSIS LICC BLACK LABEL Aerospace product
	Developed HOUSING DUAL mSATA FULL Aerospace product
	Developed DISSIPATOR PFC Aerospace product

Developed CARTER TOLE ASSY Aerospace product
Developed DISSIPATOR MB Aerospace product
Developed CADRE ASSEMBLE Aerospace product
Developed HSG 3CLB MILLED FINISH - SV231 Aerospace product
Developed PRIMARY GROUNDING PART Aerospace product
Developed DISSIPATOR MB Aerospace product
Developed COUVERCLE ECB LIGHT Aerospace product
Developed GUIDE SCREW Aerospace product
Developed BUS TB3 TO EF1 REBOND RL EICC Aerospace product
Developed CONTENEUR PAX GAUCHE Aerospace product
Developed 3F3PM-MM112 TENSIONER_PLATE Telecommunication product
Developed FRAME,CUT CARRIAGE 2 CG2076EXP Electronic product
Developed Resin_Change_Door_Ver Telecommunication product
Developed 3LJR0-MM382 PLATE_DOOR_M_WTR2.1 Telecommunication product
Developed FRAME,SIDE R CG2076 Electronic product
Developed STAY,PUMP CG2076 Telecommunication product
Developed FRAME,CUTTER2 CG2076 Electronic product
Developed 3LPM1-MM536 PROTECTOR REAR Telecommunication product
Developed 3PP0A-MM250_Capsule_filter_Hold Telecommunication product

**(4) Long-term and short-term business development plans**

**i. Short-term business development plans**

**A. Product marketing**

(A) Build a talent inventory and expand production capacity to meet existing customers' requirements.

(B) Client cultivation in the telecommunication market, and understand market requirements of 3G, 4G and LTE products in Thailand.

(C) Increase sales of high value-added products to achieve growth of the company's sales revenue and profit.

(D) Improve services of existing customers.

(E) Increase sales of aerospace products through NADCAP accreditation of special process and development of new aerospace product lines to the U.S. aerospace companies.

**B. Product technology**

(A) Actively recruit R&D professionals to develop new products so as to expand market and have competitiveness.

(B) Keep introducing automation equipment, improving production process in capability and stability to increase production capacity and equipment utilization rate.

(C) Master and overcome key engineering technology, enhance quality and performance when adoption new materials, as well as establish and maintain database management system.

**ii. Long-term business development plans**

A. Product marketing

- (A) Develop customers who require electromechanical integration.
- (B) Get medical products related certifications, and expand sales channels
- (C) Set up overseas operation sites and expand Jinpao’s overseas business

B. Product technology

- (A) Gain more U.S. NADCAP accreditations to make it easy to increase the U.S. aerospace market share.
- (B) Implement the information system integration to reduce production time, and enhance production process and automation capabilities to increase productivity.

**2. Market and Sales Overview**

(1) Market analysis

**i. Sales areas of main products**

Unit: NT\$ thousand; %

Item		2018		2019	
		Sales Amount	%	Sales Amount	%
Export Sales	Americas	9,368	0.77	26,809	1.86
	Europe	144,347	11.86	347,793	24.19
	Asia	406,423	33.38	364,797	25.38
	Other area	2,807	0.22	365	0.03
	Subtotal	562,945	46.23	739,764	51.46
Domestic Sales		654,630	53.77	697,817	48.54
Total		1,217,575	100.00	1,437,581	100.00

**ii. Market share**

Jinpao provides low-volume high-mix niche products, to the customers in the telecommunications, aerospace, medical equipment, food, electronics, and green energy fields. The domestic public-listed companies focus on consumer electronic products at present. Jinpao has no competitors in Thailand by far. The company’s diversified product lines make it hard to find comparison data from industry players. Therefore, it’s difficult to calculate the market share.

### iii. Future market supply and demand, and growth potential

#### A. Global telecommunication industry

Looking into the future, smart phones, telecom equipment and emerging markets are still seen as driving forces of the market demand of global telecommunications market. The Internet of Things is also expected to boost the market and create new business opportunities to the suppliers. The research of Industrial Economics & Knowledge Center (IEK) found that the user number gap between mobile phone and mobile broadband users amounts to 4 billion on average annually between 2011 and 2020. It indicates a huge growth potential in the mobile broadband user market. The global mobile broadband user number is forecast to reach 5.8 billion in 2020, at a CAGR of 17% between 2011 and 2020. With 5G network technology getting more mature, lots of manufacturers are speeding to make their products to be available in the market. The 5G equipment market is predicted to grow exponentially in the near future. Hence, there will be increasing demand for base station and related infrastructure. As a result, the suppliers of base station in the supply chain will benefit from the booming industry for years.

The development of mobile communication technology to 4G requires that the data transmission volume should reach more than 1 Gbps, and even 100 Mbps even under high-speed mobile. It has also been extended to fields such as voice and video communication, and is used in finance, medical, education, transportation, etc. In the industry, it has abandoned traditional circuit switching and turned to communication composed of the entire Internet Protocol (IP), and has extended the concept of a Pervasive Network, resulting in 5G becoming the main development trend of the communications industry today. Because 5G services can support users within the coverage range at a maximum of 20 Gbit / s, and the transmission speed between users must reach the minimum 1 Gbit / s standard, the transmission delay should be less than 1ms, which also means 5G The speed is 10 to 20 times faster than the existing 4G transmission speed. Therefore, the internal energy consumption of the communication cabinet is higher than the density of the host computer, so the new communication cabinet needs to have high heat dissipation, so that the future design of the server mechanism parts will focus on heat dissipation, strength structure, energy saving, high density, rapid maintenance and disassembly. , And gradually come out with 5G applications, the need to expand the data center, can be expected to develop the server industry.

#### B. Global server industry

According to DRAMeXchange, in 2018, industrial transformation and increased penetration of smart end devices drive integration services through servers, especially for the services that need to process and train a large amount of data. Besides, virtualization platforms and cloud storage also boost the market demand of servers. As the market recovered in 2018, the global server shipments are expected to grow by 4.89% this year, in line with the demand for related components. North American still accounts for the majority of the server market. By 2020, the large-sized network datacenter market has been growing considerably, partly from the demand in China driven by the national policy. The server market is predicted to have a robust growth at an annual growth rate of 20 to 30 percent by 2020. The industry competition will be getting more and more intense.

### C. Global aerospace industry

According to a recent report issued by the International Air Transport Association (IAA) in Geneva, Switzerland, the global air transport industry's net profit in 2019 is expected to reach 35.5 billion US dollars, slightly higher than expected. Global air passenger traffic in 2019 is expected to reach 4.59 billion passengers and cargo traffic is expected to reach 65.9 million tons, both slightly higher than in 2018. Among them, the Asia-Pacific region will become the main source of growth for global air passenger demand growth, and the Chinese market will be the biggest driving force. In the next 20 years, more than half of the new arrivals are expected to come from the Asia-Pacific region. The market growth in the Asia-Pacific region has benefited from steady economic growth, increased household income and demographic dividends. Based on calculations of arrivals and departures from China and domestic passenger traffic, China may replace the United States as the world's largest aviation market from 2024 to 2025. From 2017 to 2037, the fastest-growing aviation market in the world will be China, where new passengers will reach 1 billion passengers and total passenger traffic will reach 1.6 billion passengers. According to Boeing's survey data, the number of newly built passenger aircraft from 2015 to 2034 was 38,050 units, and the aviation industry's annual revenue growth rate is expected to be 5%. The certification period of aerospace industry is up to 3 years, but the relevant orders can be stably supplied for 20 years, and the demand for after-sales maintenance for replacement parts, etc., so the aerospace supply chain orders are relatively stable, and it is a growing industry year by year.

It took 42 years to manufacture 10,000 aircraft in the past, but it must be completed within ten years in the future, and the efficiency will be increased by four times. Engine manufacturer GE also predicts that the production efficiency of aircraft engines will be five times that of the past Future industry needs. In view of the expected growth of the global aerospace industry in the future, the overall industry development trend, in addition to the European and American countries with more advanced technology and high wage costs, are actively using smart equipment to reduce costs. Support, provide incentives for subsidies such as land or industrial cooperation, and seize aerospace business opportunities. In addition, with the development of Industry 4.0 smart manufacturing, it has also led the gradual transformation of the aerospace industry and towards smart development to enhance industrial competitiveness.

### D. Global medical equipment market

In order to increase medical insurance coverage, reduce medical costs and improve medical services in China and the United States, future medical related expenditures will increase year by year. At present, the United States will achieve the purpose of price reduction by purchasing foreign high-reliability and affordable medical materials. Under the expansion of basic medical equipment, it is more sensitive to medical prices, so the purchase of parity medical products is also the focus. Therefore, the parity of medical products in the future will become a trend. Considering the parity factor, medical products are currently taking a multi-functional integration route In order to achieve the purpose of cost reduction. In terms of materials, the current medical products, if the intrusive product is titanium alloy, the body has the lowest rejection, followed by stainless steel

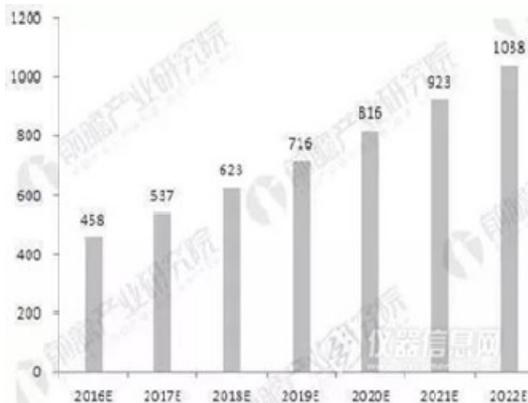
products, and the non-invasive products such as X-ray machine and nuclear magnetic resonance instrument use stainless steel and aluminum. Because corrosion resistance is the main consideration, titanium alloy, stainless steel, and aluminum will be the mainstream materials for medical products in the future.

According to the latest report of the global market research organization TrendForce Biotechnology Industry, as consumers' awareness and requirements for medical treatment and health management increase, coupled with the cross-domain integration of new technologies such as computer computing, digitalization, and artificial intelligence, this The global medical materials market has grown steadily. The size of the global medical materials market in 2018 is estimated to reach US \$ 444.2 billion, and the output value will grow to US \$ 577.6 billion by 2023, with a compound growth rate (CAGR) of 5.4% from 2017 to 2023.

#### E. Global test equipment and instruments

According to Japan Analytical Instrument Industry Association (JASIS), the number of new technology seminars held for “Food, Environment, and Automotive” increased rapidly in 2016. The number of lectures on new food technology is only about 22% in the market. There is still room for growth, and it indicates the food testing is expected to become the growth engine of the inspection industry. In 2016, there were 175 technology seminars, much higher than the other 11 fields including environment and healthcare. With regard to the testing field, industrial testing currently accounts for more than half of the market. The market share of life sciences, food and environmental testing is only about 22%. However, there is still room for growth of the fields, expected to become the growth engine of the testing industry.

In addition, according to a report by the market survey company Mais Consulting, the food safety testing market size is expected to grow from US \$ 17 billion in 2018 to US \$ 24.6 billion in 2023, with a compound annual growth rate of 7.7% during the forecast period. Increased demand for convenience and packaged foods, increased chemical contamination incidents in the food processing industry, and increased consumer awareness of food safety are the main factors driving its rapid growth. At the same time, the outbreak of global food-borne diseases and the globalization of food trade have also driven the increase in demand for food safety testing services.



Global testing industry forecast 2020

#### **iv. Competitive niche**

##### **A. Competitive and quality products approved by the international big brands**

With accumulated experiences of metal processing and manufacturing for years, the company has design and production capabilities from structural design, laser cutting, stamping and bending process, to powder (liquid) painting, silk screen printing, molding, etc. Jinpao has full in-house production capability, being able to control production quality and reduce failure rate to a controllable range.

Jinpao was certified by ISO9001, ISO14001, TS16949 (for automotive industry), AS9100 and NADCAP (for aerospace industry). It provides trust-worthy high-quality products, after-services, and on-time delivery. Also, it keeps investing on intelligent production facilities to enhance product quality and production efficiency. As a reputed company, Jinpao has become the designated supplier of many international manufacturers. Its products meet international standards that make it easy to expand the company's overseas markets.

##### **B. R&D and marketing capabilities**

Jinpao's professional R&D staff can modify the purchased automation equipment to meet the requirements from the production lines. They can also design production process and key tooling products on their own. With continuing improvement on production procedures and parameters, the company can provide fast design, sampling, trial run and shipment services based on OEM and ODM business as well as to offer complete solutions to customers from different verticals. Furthermore, the company can keep abreast of the ever-changing market dynamics, and introduce innovate products to differentiate itself from competitors.

##### **C. Excellent location**

The Thai government has an open attitude and policy towards foreign exchange. Besides, the infrastructure in the airport and seaport near the industrial zone is well facilitated. Moreover, the people are friendly. Those are favorable factors to contribute to the long-term development for the enterprises. Also, Thailand is located in the low-risk area with fewer natural disasters like earthquake and typhoon. The climate there is relatively stable in four seasons, making it hard for metal to oxidize and rust. Therefore, it's a favorable place for metal processing. Seeing it's located at the heart of the ASEAN area, the company set up an operation center for its geographical convenience of shipment to enable low transportation cost and short delivery time. Jinpao believes the excellent location helps the company to expand the sales market in the ASEAN region, and might increase profits in the near future.

##### **D. Outstanding management team**

Jinpao's management team is composed of elites from finance, sales and production functions. They have their own expertise, and work in harmony with each other. They have the same work concept and goal, effectively leading the company to develop and grow at a steady pace. The R&D departments also utilized their professional skills to contribute to the company.

## **v. Favorable development prospects, unfavorable factors and countermeasures**

### **A. Favorable factors**

#### **(A) Recognized by international companies, maintaining long-term and good cooperation**

With years of efforts, Jinpao has become one of important suppliers in the ecosystem of the international companies, and is hard to be replaced. It requires long time and complicated process to get approval from the international companies' procure and certification systems. High quality, stable supply and R&D efficiency are top priorities to enter the ecosystem instead of pricing. Replacing suppliers might bring intangible loss and take much time that would impose a substantial risk and cost. In addition, long-time cooperation with international leading companies makes Jinpao well-known in the industry. It helps to develop new potential customers.

#### **(B) ASEAN economy**

ASEAN and China have formed a huge regional economy since 2010, and it has evolved into ASEAN+3 that include 10 member countries as well as China, Japan and Korea, and even extend to ASEAN+6 that include China, Japan, Korea, New Zealand, Australia and India. ASEAN provides tariff reduction and exemption for products traded in the region.

The members of ASEAN+N, expanded from a single country to a regional alliance, have formed ASEAN Economy Community (AEC). The enterprise established here will be more competitive than the ones in other countries. Malaysia and Thailand are located in the center of the ASEAN region. Jinpao, which set up operation center in Thailand, will make the best of the geographical advantage to expand its presence in new markets.

The Thai Government has implemented the large-scale economic reform plan called "Thailand 4.0" in recent years, which is a new policy initiative relatively rare seen in modern history. The government has promoted the ten major industrial upgrade plans to drive industry innovation and high added value. The plan is implemented at a national level across departmental committees, and includes corporate tax preferences on public infrastructure building.

"Thailand 4.0" is a 20-year national development plan between 2017 and 2036, divided into four five-year development phases. The Thai government promises to invest at least more than 3 trillion baht, around NT\$ 3 trillion, on public infrastructures in eight years, such as high-speed rail and highways. Besides, the Thailand 4.0 illustrates the investment amount and details of East Economic Corridor (EEC). It will serve a passenger link to Don Muang International Airport, Suvarnabhumi International Airport and U-Tapao International Airport in Rayong. The government plans to build high-speed rail and double-track freight and passenger railway to connect the three airports as well as the digital industry park (Digital Park), and include Laem Chabang Port Phase III expansion.

Thailand 4.0 plans to drive the top ten target industries as a new engine for the nation's economic growth with a new economic model. The top ten hot industries, which are expected to attract hot money, can be divided into two categories. The first is to add value to existing industries through advanced technology, including

new-generation cars, smart electronics, high-end tourism and medical tourism, high-efficiency agriculture and biotechnology, and food innovation. The second category includes five emerging industries that will lead the future economic growth of Thailand, including smart machinery and automation, aerospace, bioenergy and biochemistry, digitization, medical and health care industries.

The so-called new economic model shifts from the labor-intensive industry to high value-added and innovation-driven industry, from producing goods to producing innovative products. The model focuses on high-tech, industrial creativity and innovation.

**(C) Strong market demand from emerging countries**

In recent years, the economic growth rate of emerging markets has been increasing, and infrastructure investments in those countries have been greatly increased as well. The Chinese government has actively implemented the 4-trillion RMB infrastructures after the financial crisis, such as the investment projects of rail transport system and telecom base stations initiated in the 12th Five-Year Plan. The infrastructures accelerated the development and urbanization of the central and western regions in China. The Indian government increased the infrastructure investment from US\$ 514 billion in the 11th Five-Year Plan to US \$1 trillion in the 12th Five-Year Plan (2012~2017). The high growth and future development potential of the emerging markets, as well as the implementation of urbanization have led to a significant increase in demand for communications equipment. In addition, as economic conditions in emerging countries have improved, the public's awareness of healthcare has been increasing as well. Also, the governments of emerging countries actively set up healthcare reform policies and improve basic medical care. Those are driving factors to boost the medical device market with great business growth potential in the future.

**(D) Competitive advantages in the uncontested market space**

- a. Regional risk diversification –set up factories in Southeast Asia to avoid the world's factory – China competition.
- b. Jinpao has tax free preference which is promised by Thailand BOI (The Board of Investment of Thailand).
- c. No worries of huge natural disasters like typhoons, earthquakes, cold winter, etc. Thai people are not xenophobic and mild, and show high levels of obedience and cooperation.

**(E) Low-volume high-mix production of special manufacturing / capability of rapid customized products**

- a. Possess high-precision, high-tech, and high-degree composite manufacturing processing capability, as well as multinational engineering teams and knowledge management.
- b. With vertical integration related engineering equipment and technology, as well as the digitizing panel beaters plant to conduct the whole production process of precision mechanical parts.
- c. (a) and (b) empower Jinpao with quick integration and reaction.
- d. With ODM (Original Design Manufacturer) capability to create value for customers.

- (1) Employ professionals specializes in 3D design to meet the customers' needs of special functions.
- (2) Provide optimized solutions to reduce manufacturing costs without changing product features, and create value for customers.
- e. Have Stamping, Punching (N.C.T.), Laser, Bending and other standalone equipment. After integration, functional complementation, the equipments can be used for flexible production processes in accordance with the numbers of orders and manufacturing cost.
  - (a) Low-volume high-mix production
  - (b) Flexible mass customization
  - (c) Mass Production

**(F) Have manufacturing equipment and technology to manufacture mechanical parts for cutting-edge precision machines.**

- a. Integrate mold design and high-functioning equipment to provide high precision and advanced complex technology that the single process cannot offer.
- b. With abilities to modify and improve machinery and equipment, as well as strong welding capability to enable firm and aesthetics connection of materials.
- c. With the spray paint and coating abilities of different colors, reducing changeover time.
- d. Understand and meet customers' requirements of complex production process quickly, and introduce a variety of precision testing equipment to ensure product quality and precision.
- e. Actively cooperate with the machinery suppliers to develop first-class advanced automated and custom manufacturing equipment, and keep improving existing production processes.
- f. Vertically integrate the manufacturing equipment and technology of metal mechanical parts to provide differentiation with fast response and flexibility to the market.
- g. With a world-class AS9100 and NADCAP aerospace certifications of quality control and production process.
- h. In terms of tooling design and manufacturing, Jinpao implemented standardization of tooling set and accessories as well as the design process to shorten mold delivery that makes it more competitive in the market.

**(G) Focus on six niche industries and keep good relationship with top-tier customers**

- a. Supply aerospace, telecommunications, green energy, healthcare, electronics, food testing in the six niche markets.
- b. The low-volume high-mix custom production model creates high entry barrier that results in less competition.
- c. Maintain relationship with customer groups in the six niche low-risk markets with a diversification approach.

## **B. Unfavorable factors and countermeasures**

### **(A) Raw material cost affects profitability**

The major raw materials of Jinpao's products are stainless steel, copper, aluminum and other metal materials, accounting for around 50 percent of the product cost. Part of the low-volume high-mix products are easily affected by the price fluctuation of raw materials in particular.

Countermeasures:

- Cooperate with many suppliers of raw materials to strengthen procure capability.
- Sign long-term supply contacts with raw material suppliers to control the price fluctuation of raw materials effectively.
- Actively develop niche products with high added value to increase product profit margin.
- Observe the market trend of international raw materials, and use hedging instrument to offset potential losses.

### **(B) Industry competition**

Jinpao faces increasing competition from existing and new players in the market. The price competition leads to lower profit margin, and forced the company to lower product price.

Countermeasures:

- Actively expand the market in the ASEAN region to eliminate market risk
- Build long-term relationship with existing customers, and develop new customers
- Continue to invest new equipment to enable innovative production process like smart factory to enhance production efficiency and reduce production cost so as to provide competitive pricing.
- Involved with the early-stage product development with customers to reduce price competition of mature products.
- Provide customers with integrated solutions of custom R&D to manufacturing services, product high-quality products, and offer a low-volume high-mix production with fast delivery to attract customers. Use the strategy to create entry barrier and differentiate it from competitors.

### **(C) Increasing exports ration, exchange rate fluctuations affect profitability**

- In order to reduce the impact of exchange rate changes on profit, the company has opened a foreign currency deposit account for foreign exchange management, and sells foreign currency at the appropriate time or makes foreign currency payments to foreign manufacturers.
- The company's sales departments takes take into account the changes of the future exchange rate when negotiating the unit price with customers. The quotation will be adjusted according to the changes of exchange rates to mitigate the impact of exchange rate fluctuations on the company's revenue and profit.
- The company's finance personnel keeps close contact with the foreign exchange department of the banks to get the sufficient and timely market information to predict the long-term and short-term trend of foreign

exchange rates.

- In order to reduce the risk of foreign exchange, Jinpao adopts derivative financial instruments like buying forward to hedge the exposure to foreign exchange risks in accordance with the “Operating Procedures of Acquisition or Disposal of Assets”. The company uses the investment strategy to avoid the relevant exchange rate risks and minimize the impact of exchange rate fluctuations.

(2) Main products’ important functions and production process

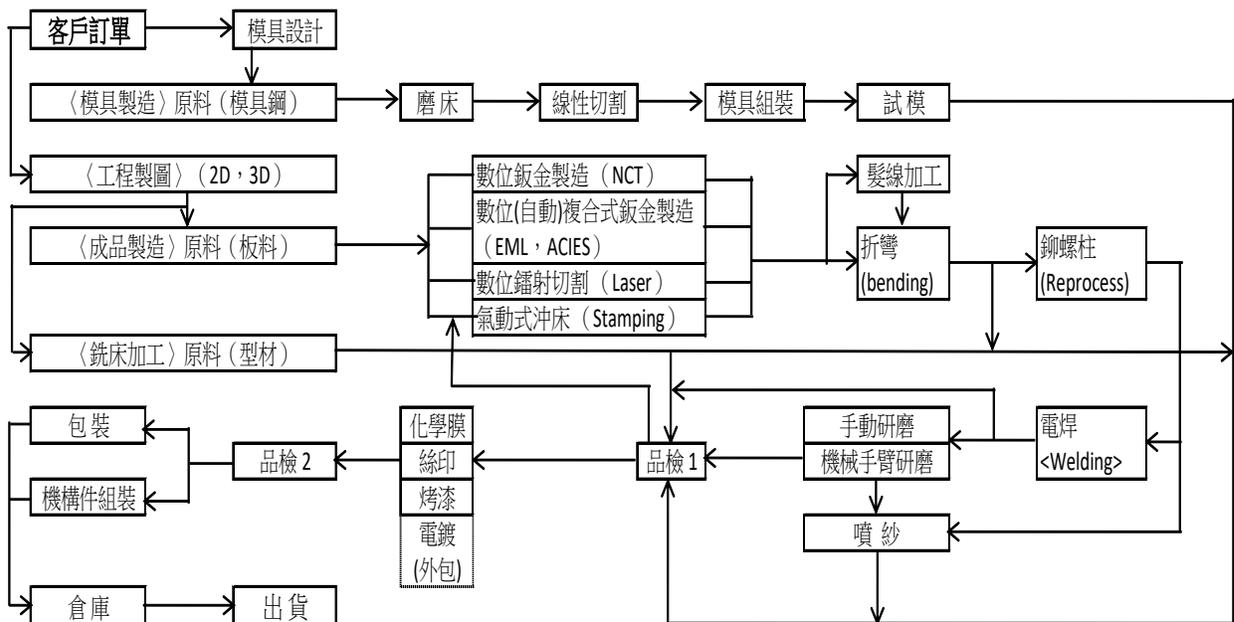
i. Main products’ important functions

Main Products	Main functions and applications
Aerospace	Enclosures of flight control computer, mechanical parts of the aircraft cockpit electronics, enclosures and mechanical parts of telecommunication and navigation control systems
Telecommunications	Monitor control cabinet, optical fiber communication system, 4G LTE telecommunication cabinet, 5G telecommunication cabinet, telephone system switch box + IP phone system cabinet, telecommunication system cooling set-up box, multimedia self-refill billing machine, ups+battery series, smart meters, high-end smart storage system with identification function, vending machine supporting third-party payment, enclosures of self-service gas station, Server Rack cabinet etc.
Electronics	Medical parts of 3D monitor picture projector for digital cinema, surveillance system, camera, industrial printer and 3D printer, industrial ventilation system chassis, game console, cash register assembly
Healthcare	Mechanical parts of X-Ray, medical displays, mechanical components of endoscopy host machine
Transportation	Mechanical components of high-speed rail and automotive, MRT ticketing vending machines
Green energy	Mechanical components of solar energy systems, AC/DC solar inverter
Food testing	Automatic check weightier, foreign object inspection equipment, quality test equipment, meat analyzer, milk analyzer.

ii. Main products’ production process

客戶訂單: Receive customer’s order 模具設計: Tooling design 原料(模具製造/模具鋼): Materials(tooling manufacturing / die steel 工程製圖: 2D/3D drawing 磨床: Grinding 線性切割: Wire cutting 模具組裝: Mold assembly	原料(銑床加工/型材): raw material (milling process/extrusion) 數位鈹金製造: NCT stamping of sheet metals 數位(自動)複合式鈹金製造(EML, ACIES): Digital (automatic) composite manufacturing of sheet metals 數位雷射切割: Laser cutting 氣動式沖床: Pneumatic stamping
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試模: Tooling testing 原料(成品製造/板料): Raw material (manufacture of finished product / sheet metal)	髮線加工: Hairline finishing 折彎: Bending 鉚螺柱: Rivet stud (Reprocess)
包裝: Packaging 機構件組裝: Assembly of mechanical parts 品檢 2 : Quality inspection 2 化學膜 Chemical coating 絲印 Screen printing 烤漆 Coating 電鍍(外包): Electroplating (outsourced) 倉庫 Warehouse 出貨 Shipping	品檢 1: Quality inspection 1 手動研磨: Manual grinding 機械手臂研磨 Robotic grinding 噴砂 Sand blasting 電銲 Welding



(3) Supply status of major raw materials

Jinpao purchases raw materials based on the orders received by the sales department, and the forecast of the customers. The company raises the procurement demand according to procurement timeliness, minimum order and safety stock. The company set up an internal procurement control measurements as basis of the purchasing policies. In addition to the consigned materials from customers, Jinpao purchase main materials from two suppliers to ensure stable supply and reasonable cost, avoiding supply shortage or disruptions.

(4) Significant changes in gross profit margin by main product or department in the last two years

**i. Changes in gross profit margin in the last two years**

Unit: NT\$ thousand

Item \ Year	2018	2019
Operating margin	412,423	446,128
Operating margin ratio (%)	33.87	31.03
Profit margin change (%)	-8.39%	

Source: From the consolidated financial report signed and checked by the accounts.

**ii. Gross profit margin analysis**

The change of annual gross profit margin ratio is less than 20% in 2018 and 2019. There is no need to state the causes of changes.

**(5) List of major suppliers and customers**

**i. The data is based on the suppliers' purchase amount and ratio that accounted for more than 10 percent in one of the two recent years, with explanation of the changes in the following:**

Unit: NT\$ thousand

Item	2018				2019				Q1 2020				
	Ranking	Company	Amount	Annual net purchase [%]	Relationship with issuer	Ranking	Company	Amount	Annual net purchase [%]	Relationship with issuer	Ranking	Company	Amount
1		HOO THAI	35,834	8.01	The Director is also Jinpao's Director of the Board	United Coil Center	36,652	7.96	None	TSK Steel	9,081	8.57%	None

Item	2018				2019				Q1 2020			
Ranking	Company	Amount	Annual net purchase [%]	Relationship with issuer	Ranking	Company	Amount	Annual net purchase [%]	Relationship with issuer	Ranking	Company	Amount
2	United Coil Center	35,817	8.01	None	TSK Steel	23,196	5.04	None	United Coil Center	6,144	5.80	None
—	Other	375,604	83.98		Other	400,810	87.00		Other	90,705	85.63	
—	Net purchase	447,255	100.00	—	Net purchase	460,658	100.00	—	Net purchase	105,930	100.00	—

Note: Hoo Thai Industrial Co., Ltd. (Hereinafter referred to as “HOO THAI”)

The company provides small-volume production of diverse products, and part of them is outsourced to Hoo Thai Industrial. Therefore, the two companies have a long-term and good relationship; she was ranking as the largest vender of company both in 2018. But in 2019, the company's largest domestic customer “Forth” has had to postponed her plan of investment in the communication market at ASEAN in line with domestic regulation changed, resulting in higher costs, demand decreased and the company's orders were reduced. So the amount of procurement from Hoo Thai was decreasing.

Due to higher sales on electronic and communication products at 2019, the demand for related raw materials such as galvanized steel sheets increased, thus increasing the products purchasing of United Coil Center Co., Ltd and TSK Steel.

**ii. The data is based on the customers’ purchase amount and ratio that accounted for more than 10 percent in one of the two recent years, with explanation of the changes in the following:**

Unit: NT\$ thousand

Item	2018				2019				Q1 2020			
Ranking	Company Name	Amount	Annual net sales [%]	Relationship with issuer	Company Name	Amount	Annual net sales [%]	Relationship with issuer	Company Name	Amount	Annual net sales [%]	Relationship with issuer
1	TS	167,104	13.72%	None	TS	197,019	13.70%	None	Delta Thai	42,390	12.48%	None
2	Delta Thai	125,146	10.28%	None	Delta Thai	159,308	11.08%	None	TS	41,983	12.36%	None
	Other	925,325	76.00%	—	Other	1,081,254	75.22%	—	Other	255,362	75.16%	—

	Net Sales	1,217,575	100.00%	—	Net Sales	1,437,581	100.00%	—	Net Sales	339,735	100.00%	—
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Jinpao provides mechanical parts of flight instrument panel in the cockpits, and metal parts of other instruments to its customers in the aerospace industry. The customers assemble these components together with software equipment to be finished goods for end customers like as “Boeing” and “Airbus”. “TS” is one of Jinpao's aerospace clients, which occupy a significant position in the aerospace supply chain. In 2018 & 2019, Airbus company adjusted the inventory, which led to an increase in sales of the TS's aerospace products.

In addition, due to the company's sales growth of telecommunication products in 2019, the orders from Delta Thailand for telecommunications and molds products has increased a lot, so Delta Thailand has become major client with a revenue share of more than 10%.

(6) Production volume and value analysis for the last two years:

Unit: PCS ; NT\$ thousand

Year	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Telecommunications	12,365,000	1,327,746	164,549	14,443,086	1,477,007	272,301
Electronics		3,361,282	221,479		2,333,312	144,111
Healthcare		241,721	39,551		191,182	25,447
Other		3,623,797	199,725		3,355,860	188,692
Aerospace	348,203	196,149	176,712	790,205	537,211	333,821
Total	12,713,203	8,750,695	802,016	15,233,291	7,894,572	964,372

(7) Sales volume and value analysis for the last two years:

Unit: PCS ; NT\$ thousand

Year	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Telecommunications	2,083,390	238,185	651,860	102,144	1,501,946	315,665	720,683	146,670
Electronics	7,973,770	176,649	1,055,497	120,424	4,903,900	155,684	352,679	43,015

Aerospace	78,144	25,589	109,292	254,999	110,362	35,237	437,400	471,218
Healthcare	79,998	17,802	115,184	19,955	50,413	10,952	131,482	16,797
Other	3,263,435	196,405	23,269	65,423	3,292,696	180,279	31,688	62,064
Total	13,478,737	654,630	1,955,102	562,945	9,859,317	697,817	1,673,932	739,764

**3. The number of employees in the last two years, and during the current fiscal year up to the date of publication of the annual report:**

Year		2018	2019	Ending March 31, 2020
Number of employees	Managers	34	33	33
	Office staff	391	412	410
	Production line workers	732	743	790
	Total	1,157	1,188	1233
Average age		32	32.2	33.1
Average length of service		4.1	4.8	4.8
Education level distribution ratio	Masters or above	15	18	19
	University(College)	172	164	170
	High school	946	987	1024
	Below high school	24	19	20

**4. Environmental Expenditure Information**

(1) Provide information of the company's improvement on the environmental pollution during two recent years and as of to the publishing date of the annual report. Any disputes of environment pollution should be explained with reasons and countermeasures. During two recent years, and during the current fiscal year up to the date of publication of the annual report, there is no environmental pollution. In 2015, Jinpao replaced all lights in the factory with energy-saving LED lights, and received Green Star Award from Industrial Estate Authority of Thailand. In October 2017, the Board of Directors approved to invest 28.5 million baht in the construction of a one-mega 1MW solar energy system. Using the alternative energy helps the company to product the environment and has saved 400,000 baht (100,000 kWh) per month. The construction was completed in the fourth quarter of 2018.

(2) List the amount of any loss including compensation caused by environmental pollution, and indicated mitigation measures like improvement plants being or to be taken and possible expenses the estimated amount of loss, disposition and compensations that may be incurred without taking countermeasures. If it cannot be reasonably estimated, the reasons why it

cannot be reasonably estimated should be explained): the losses caused by environmental pollution during two recent years, and during the current fiscal year up to the date of publication of the annual report: None

(3)The company's waste disposal principles are listed as below:

- i. Classify and collect residual metal materials, and then sell them to the recycling companies.
- ii. Recyclables such as paper products and packaging materials are sold to the recycling companies.
- iii. The industrial waste and pollutants such as tarpaulin, gloves, sludge, waste oil, coolant, waste solvent, coating materials and cleaning materials that cannot be disposed of as garbage are sent to qualified waste management companies by paying the companies by weight.
- iv. According to the relevant regulations released by the Industrial Estate Authority of Thailand, all the disposal and management methods of wastes and pollutants shall be listed and compiled into a handbook which is submitted to the authority. The company can only implement the disposal and management of wastes and pollutants after the authority's approval.

(4) After passing the ISO 14000 Environmental management standard since 2008, the company conducts regular inspection and verification annually, and conforms to the regulations to protect the environment for the certificate renewal.

(5) The company developed new ERP system as well as hardware and software of Kiosk systems that are implemented in the factory. The R&D team has constantly checked and tested the tuning parameters to ensure the accuracy of collected data. In the future, the big data will be applied to the sheet metal process. The sensory control system and related industrial technology will be adopted to optimize the production process in the whole plant as well as use the resources in the most efficient way. The company aims to build a paperless smart factory.

## **5. Labor Relations**

**(1)Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures are listed as follows.**

### **i. Employee benefits**

- A. Year-end bonus, perfect attendance bonus
- B. New Year bonus.
- C. Year-end sports meet, lucky draw and party
- D. Meal allowance of 30 baht per day (after employment probation period)
- E. a pair of sneakers per year
- F. Three uniforms
- G. Two welder suits
- H. Provide free annual staff uniforms, and 1,000 baht clothing allowance to the employees with two years' service.
- I. Provide pregnant uniform

- J. Full attendance bonus
- K. Wedding gift money
- L. Funeral grant
- M. Annual health checkup
- N. 10-Year Service Award(celebrate the years of service milestone )
- O. Commuter bus
- P. Night shift allowance of 60 baht per day
- Q. Technical allowance
- R. Regional allowance
- S. Position allowance (for factory)
- T. Annual leaves based the labor laws
- U. Emergency loan from the Employee Welfare Committee
- V. Tuition subsidies and merit scholarships for employees' children
- W. Five-day workdays of indirect employees per week
- X. Work injury compensation from the department supervisors

#### **ii. Continuing education and training**

With the corporate culture of integrity, Jinpao has been working for the sustainable management environment and competitiveness in the market. The well-designed education and training plans help employees to continuously improve work performance, increase career potentials, achieving the enterprise development and employees' growth in a win-win approach. The training programs are designed to boost employees' growth, available with industrial management, financial budgeting, sales, human resources, procurement, language and occupational safety in addition to the new employee orientation to meet the needs of various functions at work.

#### **iii. Retirement system**

The company has set up a staff retirement scheme in accordance with the labor pension related regulations.

The non-managerial employees and employer each allocates 3% of the monthly salary of the employee. This amount shall be deposited to the labor-management mutual savings fund after the employee passes the probation period.

Retirement benefits are paid at different percentages by years of service:

1 to 3 years – 25% allocated by the employer

3 to 4 years – 50% allocated by the employer

4 to 5 years – 75% allocated by the employer

More than 5 years – 100 % allocated by the employer

#### **iv. Labor agreements, maintenance of employee rights and interests**

The company pays much attention to the employee rights, and respects employees' opinions. The company sets up an anonymous suggestion system to let employees to communicate with the human resource department or high-ranking executives to maintain

a good relationship between the management and employees.

- A. Labor Insurance Fund applies to the employees as follows (after employment probation period):
  - 1. Section Managers and above
  - 2. Group life insurance for high-risk employees
- B. The coverage of Occupational Accident Insurance is listed as follows:
  - 1. Occupational injuries and diseases
  - 2. Disability that occurs in the workplace
  - 3. Death or loss that occurs at work
- C. Social security benefits covers 7 items as follows:
  - 1. Disease or injuries that occur due to work
  - 2. Childbirth subsidy
  - 3. Disability benefit
  - 4. Survivors benefit
  - 5. Maternity benefits
  - 6. Pension
  - 7. Unemployment compensation

**(2)List any loss sustained as a result of labor disputes during two recent years, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. The losses caused by labor disputes during two recent years and the current fiscal year up to the date of publication of the annual report: None**

## 6. Important contracts

Type of contract	Party	Contract Duration	Content	Restriction
Credit Line Agreement	LH Bank PCL	2018/6/28 (Auto-renewed upon expiry)	Short-term loan	No
Loan agreement	Mega International Commercial Bank PCL	2018/11/7 (three years after the date of drawdown)	Long-term loan	No
Loan agreement	UOB BANK (Thai) PCL	2014/9/17 (Auto-renewed upon expiry)	Short-term loan	No
Loan agreement	Bangkok Bank PCL	2014/7/24 (Auto-renewed upon expiry)	Short-term loan	No
Service agreement	Jinpao Precision Japan Co., Ltd.	2019/1/1 to 2019/12/31	Markets R&D	No
Loan agreement	Mega International Commercial Bank	2018/11/7(two years after the date of drawdown)	Mid and long-term loan	No

Type of contract	Party	Contract Duration	Content	Restriction
Service agreement	Hoo Thai Industrial Co., Ltd.	2018/6/19 to 2019/6/19	Raw materials R&D	No
Joint venture A.	FREDBOU SARL	2019/5/10 to JV Co dismissed	JV a subsidiaey	No
Office rental A.	Mr. Yang Shei Yi	2018/8/16 to 2023/8/15	Office leasing	No
Loan agreement	Jinpao Euro SAS	2018/11/1 for 1 year	Loan to subsidiary	No
Liability insurance agreement	Mega assets insurance Co., Ltd.	2019/7/4 to 2020/7/4	Directors' liability insurance	No

## VI. Financial Profile

### 1. Condensed Balance Sheets and Statements of Comprehensive Income for the past 5 fiscal years

#### (1) Condensed balance sheet and consolidated income statement

##### i. Condensed balance sheet

Unit: NT\$ thousand

Item	Year	Financial information in the last 5 years					Current financing data ending Mar. 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		806,279	724,623	859,941	822,330	1,344,157	1,095,497
Property, plant and equipment		739,792	1,093,180	1,096,348	1,368,637	1,529,787	1,471,105
Intangible assets		23,649	27,227	56,735	55,424	163,076	220,394
Other assets		81,337	83,047	76,519	265,713	282,656	263,333
Total assets		1,651,057	1,928,077	2,089,543	2,512,104	3,319,676	3,050,329
Current liabilities	Before distribution	254,919	312,684	372,629	605,009	927,150	779,251
	After distribution	373,339	411,434	497,081	707,617	1,010,113	779,251
Non-current liabilities		113,001	276,582	233,895	290,304	494,613	467,199
Total liabilities	Before distribution	367,920	589,266	606,524	895,313	1,421,763	1,246,450
	After distribution	486,340	688,016	730,976	997,921	1,504,726	1,246,450
Interests attributable to parent company owner		1,282,393	1,338,686	1,483,009	1,595,807	1,878,426	1,779,150
Non-controlling interests		744	125	10	20,984	19,487	24,729
Share Capital		380,771	385,393	388,913	394,646	436,646	436,646
Capital reserve	Before distribution	705,388	730,053	747,180	775,720	933,720	933,720
	After distribution	705,388	730,053	747,180	775,720	933,720	933,720
Retained earnings	Before distribution	271,417	312,524	416,580	441,355	430,149	486,460
	After distribution	152,997	213,774	292,128	338,747	347,186	486,460
Other interests		(75,183)	(89,284)	(69,664)	(15,914)	77,911	(77,676)

Treasury stock		—	—	—	—	—	—
Non-control interest		744	125	10	20,984	19,487	24,729
Total equity	Before distribution	1,283,137	1,338,811	1,483,019	1,616,791	1,897,913	1,803,879
	After distribution	1,164,717	1,240,061	1,358,567	1,514,183	1,814,950	1,803,879

Note 1: Financial report Q1 2020 was signed and reviewed by CPA

i i. Condensed Statements of Comprehensive Income

Unit: NT\$ thousand

Item	Year	Financial information in the last 5 years					Current financial data ending March 31st, 2020 (Note: 1)
	2015	2016	2017	2018	2019		
Operating revenue	1,204,224	1,182,932	1,273,827	1,217,575	1,437,581	339,735	
Operating margin	392,114	379,759	453,536	412,423	446,128	106,050	
Operating income	203,778	181,290	239,808	176,039	135,650	25,595	
Non-operating income and expenses	(4,875)	7,129	8,765	(2,290)	(30,328)	37,536	
Income from continuing operations before income tax	198,903	188,419	248,573	173,749	105,322	63,131	
Net income from continuing operations	173,903	160,518	204,447	146,469	90,678	58,747	
Loss of suspended business unit	—	—	—	—	—	—	
Net income	173,903	160,518	204,447	146,469	90,678	58,747	
Other comprehensive income(net of tax)	(62,971)	(15,711)	17,864	55,929	91,831	(156,826)	
Total comprehensive income	110,932	144,807	222,311	202,398	182,509	(98,079)	
Profit attributable to the equity holders of the Company	174,788	161,138	204,558	146,518	91,402	56,311	
Net profit attributable to non-controlling interests	(885)	(620)	(111)	(49)	(724)	2,436	
Comprehensive income attributable to the equity holders of the Company	111,800	145,426	222,426	202,977	185,227	(99,276)	
Comprehensive income attributable to non-controlling interests	(868)	(619)	(115)	(579)	(2,718)	1,197	
Earnings per share	5.11	4.20	5.29	3.74	2.31	1.29	

Note 1: Financial report of Q1 2020 was signed and reviewed by CPA

**(2) Material matters that affected the consistency of the above financial statements, such as accounting changes, company mergers or closed business units, and their impact on the current fiscal year's financial statements: None**

**(3) The names of appointed certified accountants and their audit opinions in the last 5 years**

i. The names of appointed certified accountants and their audit opinions in the last 5 years

Year	Name of accounting firm	Name of CPA	Audit opinion
2015	Deloitte & Touche	Tza-Li Gung /Tung-Feng Lee	unqualified opinion
2016	Deloitte & Touche	Tza-Li Gung /Tung-Feng Lee	unqualified opinion
2017	Deloitte & Touche	Tza-Li Gung /Yang Ching-Chen	unqualified opinion
2018	Deloitte & Touche	Yang Ching-Cheng /Chen Chih-Yuan	unqualified opinion
2019	Deloitte & Touche	Yang Ching-Cheng /Chen Chih-Yuan	unqualified opinion

ii. If the company changes the accountants in the last five years, the predecessor and the successor auditors should be listed with reasons of replacement: None

## **2. Five-Year Financial Analysis**

Unit: NT\$ thousand

Item	Year	Financial information for the last 5 years					Current financial data ending March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure %	Debt to asset ratio	22.28	30.56	29.03	35.64	42.83	40.86
	Ratio of long-term capital to property, plant and equipment	182.48	147.76	156.60	137.81	161.67	159.01
Solvency %	Current ratio	316.29	231.74	230.78	135.92	144.98	140.58
	Quick ratio	247.35	183.65	177.23	90.02	116.21	108.98
	Interest coverage ratio	22.32	34.10	23.78	16.03	5.86	10.18
Operating performance	Receivable turnover rate (Times)	4.51	4.21	4.67	4.13	4.71	4.54
	Average collection days	80.93	87	78	88.37	77.49	80.40
	Inventory turnover (Times)	4.68	4.37	4.16	3.07	3.33	3.64
	Payable turnover rate (Times)	7.18	6.09	5.67	4.83	6.83	7.29
	Average sales days	77.99	84	88	118.89	109.6	100.27
	Property, plant and equipment turnover (Times)	1.60	1.29	1.16	0.99	1.01	0.91
	Total assets turnover (Times)	0.76	0.66	0.63	0.53	0.49	0.43
Profitability	Return on assets (%)	11.48	9.26	10.62	6.77	3.73	7.38
	Return on equity (%)	15.23	12.30	14.50	9.52	5.26	12.32
	Profit before tax to paid-in capital ratio (%)	52.24	48.89	63.91	44.03	24.12	57.83
	Net profit ratio (%)	14.44	13.62	16.06	12.03	6.36	16.57
	Earnings per share (NT)	5.11	4.20	5.29	3.74	2.31	1.29
Cash flow	Cash flow ratio (%)	119.77	92.27	76.35	36.45	15.15	94.04
	Cash flow adequacy ratio (%)	81.40	76.54	101.30	85.16	72.71	111.63
	Cash reinvestment ratio(%)	11.83	7.82	7.91	3.66	1.18	24.94
Leverage	Operating leverage	1.92	2.09	1.89	2.34	3.29	4.14
	Financial leverage	1.05	1.03	1.05	1.07	1.19	1.37

Description:

- (1) The increase in debt-to-asset ratio is due to the increase in capital expenditures and banking short-term loans of 2019.
- (2) The increase in the ratio of long-term capital to property, plant and equipment was

due to the increase in operation profits in a row and issuance unsecured convertible corporate bonds of NT\$ 200M in 2019.

- (3) The increase in the current ratio and quick ratio were due to an amount approximately NT\$197M capital increased and repaid short-term liabilities of the company in the year of 2019.
- (4) The increase in inventory turnover rate and shorter length of sales days were due to the increase in consolidated sale revenues and decreasing inventory of the last year, together with increase in cost of goods sold.
- (5) Although the sale revenue increased in 2019, but earnings per share was decreased. It's owing to the French subsidiary's sale revenue not reached to a breakeven point whom just been acquired and merged in the end of 2018. In addition, it also contributed to a slightly decrease in sale revenue of the Thai subsidiary in line with huge fixed cost not be amortized at all.
- (6) The cash flow ratio fell was mainly due to the decrease in profit caused to cash outflow in operating activities of the year of 2019. In addition, the current liabilities also increased due to banking short-term loans increasing.
- (7) The decrease in cash reinvestment ratio was due to the decrease in cash flow from operating activities, as well as the increase in long-term investment, other current assets and operation funds of 2019.

Note: The formula for calculations is as follows:

#### 1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long-term capital ratio to property, plant and equipment = ( total equity + non-current liabilities ) / net worth of property, plant and equipment

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = earnings before interests and taxes / current interest expenses

#### 3. Operating performance

(1) Receivable (including trade receivable and notes receivable arising from business operations) turnover ratio = net sales / average receivable (including trade receivable and notes receivable arising from business operations) for each period

(2) Average collection period for receivables = 365 / receivables turnover ratio

(3) Inventory turnover ratio = cost of goods sold / average inventory

(4) Payable (including trade payable and notes payable arising from business operations) turnover ratio = cost of goods sold / average payables (including trade payable and notes payable arising from business operations) for each period

(5) Average sales days = 365 / inventory turnover ratio

(6) Property, plant and equipment turnover ratio = net sales / average net worth of property, plant and equipment

(7) Total asset turnover ratio = net sales / total assets

#### 4. Profitability

(1) Return on Total Assets =  $\left[ \text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate}) \right] / \text{Average Total Assets}$

(2) Return on Equity =  $\text{Net Income} / \text{Average Stockholders' Equity}$ .

(3) Net profit margin =  $\text{Net Income} / \text{Net Sales}$

(4) Earnings per share =  $(\text{profit and loss attributable to owners of the parent} - \text{dividends paid for preferred shares}) / \text{weighted average number of shares outstanding}$

#### 5. Cash flow

(1) Cash flow ratio =  $\text{Net cash flow from operating activities} / \text{current liabilities}$

(2) Cash flow adequacy ratio =  $\text{net cash flow from operating activities within five years} / (\text{capital expenditures} + \text{inventory additions} + \text{cash dividend}) \text{ within five years}$

(3) Cash Flow Reinvestment Ratio =  $(\text{cash provided by operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other noncurrent assets} + \text{working capital})$

#### 6. Leverage

(1) Operating leverage =  $(\text{net sales} - \text{variable cost and expense}) / \text{operating income}$

(2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expenses})$

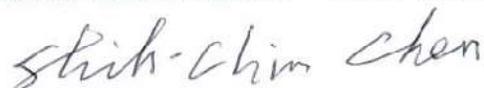
### 3. Supervisors' or audit committee's report for the most recent year's financial statement

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to audit JPP Holding Company Limited's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of JPP Holding Company Limited. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

JPP Holding Company Limited

Chairman of the Audit Committee: Shih-Chin Chen

Handwritten signature of Shih-Chin Chen in cursive script.

March 24, 2020

**4. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices: See page 178 to page 244 for details.**

**5. The company's individual financial statement in the most recent fiscal years signed and audited by CPA. It does not contain statements of major accounting items. This company is a foreign issuer listed in its home country, so the regulation is not applicable to the company.**

**6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.**

## VII. A Review and Analysis of the Company's Financial Status and Financial Performance

### 1. Financial status

Unit: NT\$ thousand; %

Item	Year	2018	2019	Difference	
				Amount	%
Current assets		822,330	1,344,157	521,827	63.46%
Property, plant and equipment		1,368,637	1,529,787	161,150	11.77%
Intangible assets		55,424	163,076	-11,031	-6.34%
Other assets		265,713	282,656	130,825	86.16%
Total assets		2,512,104	3,319,676	802,771	31.90%
Current liabilities		605,009	927,150	322,141	53.25%
Non-current liabilities		290,304	494,613	199,508	67.61%
Total liabilities		895,313	1,421,763	521,649	57.95%
Share capital		394,646	436,646	42,000	10.64%
Capital reserve		775,720	933,720	158,000	20.37%
Retained earnings		441,355	430,149	-11,206	-2.54%
Other interests		(15,914)	77,911	93,825	-589.58%
Treasury stock		—	—	—	—
Non-controlling Interests		20,984	19,487	-1,497	-7.13%
Total equity		1,616,791	1,897,913	281,122	17.39%
<p>Analysis of significant changes in assets, liabilities and shareholders' equity in the last two years (over 20% of the previous period and the change amounted to NT\$ 10 million):</p> <p>(1) The current assets increased by NT\$ 521,827K mainly due to the increase in capital increasing and unsecured convertible corporate bond issuing in 2019.</p> <p>(2) Other assets increased by NT\$130,825K, mainly due to an amount of EUR 2.92 million for purpose of merger and acquire the new European subsidiary SPEM SAS to be posted temporarily into the account of other current assets at the end of 2019.</p> <p>(3) The increase in total assets was mainly due to the increase in cash and the issuance of convertible corporate bonds at the end of 2019 to make cash position increasing; in addition, because the company continued to capital expenditures to make real estate, plant equipment and other assets increasing as well.</p> <p>(4) The increase in current liabilities and non-current liabilities were mainly due to drawdown both in long-term and short-term loans from financial institutions as continuous capital expenditures and merger &amp; acquisition cases.</p> <p>(5) The increase in capital reserve was mainly due to the premium caused by the issue price per share which a project of capital increase executed in 2019.</p> <p>(6) The increase in other equity of the statement is due to the exchange rate conversion of the statement.</p>					

## 2. Financial performance

(1) The main reasons for the significant changes in operating revenues, operating profit and income before tax in the last two years.

Unit: NT\$ thousand ; %

Item	Year	2018	2019	Difference	
				Amount	%
Operating revenue		1,217,575	1,437,581	220,006	18.07%
Gross profit		412,423	446,128	33,705	8.17%
Operating net profit		176,039	135,650	-40,389	-22.94%
Non-operating revenue and expenses		-2,290	-30,328	-28,038	1224.37%
Pre-tax net profit		173,749	105,322	-68,427	-39.38%
Current profit of continuing operations		146,469	90,678	-55,791	-38.09%
Loss from discontinued operations		—	—	—	—
Current net profit		146,469	90,678	-55,791	-38.09%
Other comprehensive income (net of income tax)		55,929	91,831	35,902	64.19%
Total comprehensive income		202,398	182,509	-19,889	-9.83%
Net income attributable to Shareholders of the parent		146,518	91,402	-55,116	-37.62%
Net income attributable to non-controlling interests		-49	-724	-675	1377.55%
Total comprehensive income attributable to shareholders of the parent		202,977	185,227	-17,750	-8.74%
Total comprehensive income attributable to non-controlling		-579	-2718	-2,139	369.43%

Item	Year	2018	2019	Difference	
				Amount	%
interests					
<p>Analysis of significant changes over 20% of the previous period and the change amounted to NT\$ 10 million:</p> <ol style="list-style-type: none"> <li>1. The net operating profit of Y2019 decreased by NT\$40,389 thousand compared with the same period of last year, main reason was that the two new French subsidiaries were just merged in 2019. Whereas revenue not reached the break-even point owing to the movement of personnel and machine in maintenance &amp; reorganization caused to goods delivery delayed for some orders. In addition, the Thai subsidiary's sales in 2019 because of the increase in professional advisory fees for projects capital increases, issuance of unsecured convertible corporate bonds and new M&amp;A cases led to a decline in the operating profit of the year.</li> <li>2. Non-operating income decreased by NT\$28,038 thousand mainly due to the increase in exchange rate losses and interest expenses of the year.</li> <li>3. As the company's revenue and gross profit decreased, the net profit after tax decreased by NT\$55,791K compared with the year of 2018, so the annual growth rate was -38.09%.</li> <li>4. The increase in consolidated profit and loss was mainly due to the appreciation in the currency of Thai baht.</li> </ol>					

- (2) The output forecast and its basis, and its possible impacts on the financial performance in the future and counter measures:

The company mainly sets the annual sales target based on the customer's forecasts, production capacity and previous operating performance. The company's products are applied in various industries at the growth stage. The company will continue to develop new markets and expand business to increase market share and profitability as well as maintain good financial performance.

### 3. Cash Flow

- (1) Cash flow analysis for the recent year (2019)

Unit: NT\$ thousand

Balance,	Annual cash flow	Annual cash flow	Balance	Cash shortage contingency
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beginning of year	from operating activities	from other activities	(insufficient) amount	plan	
				Investment plan	Financing plan
143,030	140,436	263,411	546,877	—	—

Analysis of changes in cash flow in the most fiscal year:  
Operating activities: The main reason is due to the increase in profit of Y2019.  
Investing activities: Mainly due to the increases in purchase and prepaid of real estate, plant and equipment, resulting in cash outflows.  
Financing activities: This period caused cash inflows due to the capital increasing and issuance of convertible corporate bonds.

Source: 2019 consolidated financial statements signed and audited by CPA.

(2) The improvement plan of a lack of liquidity: not applicable

(3) Cash flow forecast analysis over the next year (2020):

Unit: NT\$ thousand

Balance, beginning of year	Annual cash flow from operating activities	Annual cash flow from other activities	Balance (insufficient) amount	Cash shortage contingency plan	
				Investment plan	Financing plan
546,877	307,656	(500,696)	353,837	—	—

Analysis of changes in cash flow over the next year:  
Operating activities: revenue and profit are expected to continue to grow in the future.  
Investing activities: the purchase of production equipment has led to an increase in cash outflows.  
Financing activities: It is expected that cash dividends will be paid and long-term loans will be repaid in installments within this year.

4. The influence on financial performance from major capital expenditures during the most recent fiscal year:

In 2019, the company made payments by drawdown and some loans from Mega International Commercial Bank of Thailand, United Overseas Bank and LH Bank; in addition, it also financed three-year interim loans from Mega International Bank Foreign department Taiwan to funding for M&A France new subsidiary SPEM AERO SAS, such loan will be repaid in installments in the future. Therefore

it has no material impact on the financial performance.

5. Re-investment policy for the most recent fiscal year, and the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(1) Re-investment policy:

The company's current investment policy is based on the relevant investment targets of its main business, and is not engaged in non-core business operations. The relevant departments follow the internal control system “investment cycle” and the “Procedures for Acquisition or Disposal of Assets”. The procedure is discussed and approved by the Board of Directors or in the shareholders meeting.

(2) Main causes of profits or losses incurred by re-invested business and improvement plans:

Unit: NT\$ thousand

Re-invested company	Item	Recognized profit (loss) in 2019	Main reasons for profit or loss	Improvement plan
JINPAO PRECISION INDUSTRY CO., LTD.		124,793	Revenue growth	None
Jinpao Precision Japan Co., Ltd.		574	Operation not came into economic scale yet	None
Jinpao Europe SAS		(1,756)	Operation not came into economic scale yet	None
Wefly Aero Co., Ltd.		(606)	Operation not came into economic scale yet	None

(3) Investment plans for the coming year: None

## 6. Risk analysis during the most recent fiscal year or up to the date of publication of the annual report:

(1) The effect upon the company's profits and losses of interest and exchange rate fluctuations and changes in the inflation rate, and countermeasures to be taken in the future:

i. The effect on the company's profits and losses of interest rate fluctuations and countermeasures to be taken in the future:

The main source of interest income of the Company is bank deposit, while interest expense is mainly due to interest charges arising from bank mortgage loans. The Company's annual interest incomes of Y2019 and Y2018 were NT\$ 457K and NT\$ 2,004K respectively, accounting for less

than 1% of net operating income, and interest expenses were NT\$ 21,693K and NT\$ 11,558K respectively, accounting for a net operating income ratio of 1.51 % and 0.95%; the ratio is not high. Thus, the change in interest rate has no significant impact on the company.

Countermeasures:

If there is a large fluctuation of interest rate in the future and demand to continuous borrowing for the company, the company will use other financial tools to raise funds from capital market. In addition, the company will choose fixed or floating interest rates of loans depending on the interest rate movement to avoid the risk of interest rate fluctuations.

ii. The effect of exchange rate fluctuation upon the company's profits and losses, and countermeasures to be taken in the future:

A. The effect on the company's income

Unit: NT\$ thousand

Item	2018	2019
Exchange gains (losses)	2,647	(15,514)
Operating revenue	1,217,575	1,437,581
Exchange gains or losses /Operating income (%)	0.22	(1.08)
Net operating income	176,039	135,650
Exchange gains or losses /Net operating income (%)	1.50	(11.44)

The Company's exchange gain (loss) for the years of 2019 and 2018 were respectively NT\$ (15,514)K 及 and NT\$ 2,647K, and the exchange gain (loss) accounted for (1.08%) and 0.22% of the net revenue, (11.44)% and 1.5% of the operating income respectively. The most deals of import/export of company are quoted in U.S. dollars currency, but some of them were traded in Euro currency, while the Company always adopts Thai baht for the payment to the local suppliers for daily operations. The company is exposed to foreign currency risk when there is appreciation of US dollars. Therefore, movements in foreign currency exchange rates have financial impact on the company's revenue and profit.

B. Contingency measures:

To effectively mitigate the risk of exchange rate fluctuation, Jinpao keeps close contact with banks to collect exchange rate-related financial information to understand and predict exchange rates trends in the future as well as take measures as follows to eliminate the impact of the company's revenue and profit by exchange rate fluctuation:

(A) Open a US dollar savings account, and deposit the payments of customers in US dollars

from the exports in a foreign currency account which is used for procurement payments to the foreign suppliers, and reduce the impact of exchange rate fluctuations by means of natural hedge through offsets of foreign currency claims and debts foreign currency credits and debts.

- (B) When the customer remits the payment to Jinpao's company bank account, the company will appropriately adjust the foreign exchange position depending on the demand for funds and movement of exchange rates.
- (C) The sales department considers the impact of exchange rate fluctuation on the sales price, and adjusts the product price according to the exchange rate fluctuation to mitigate the impact of exchange rate fluctuation on the company's revenue and profit before making a quotation for foreign customers.
- (D) The sales and procurement staff uses the real-time stock and foreign exchange market information provided by the correspondent banks as the basis when making a quotation and purchases of raw materials.
- (E) The company conducts the pre-sale of foreign exchange forward transaction depending on the foreign currency position and exchange rate changes in accordance with the Procedures for Acquisition or Disposal of Assets, and the net foreign exchange position is used as the hedged instrument after natural hedging to reduce the exchange rate risk arising from the business operations of the company.

iii. The impact of inflation and countermeasures to be taken in the future:

The inflation has not materially affected the company's profit and loss in the past. The company will also appropriately adjust the sales price to cope with the inflation, so inflation may not have a significant impact on the company. The company reviews and compiles relevant information for decision-making of the management with reference to the economic analysis data and reports of the government and research institutions regularly and from time to time.

(2) The main reasons of the profit or loss due to investment of high-risk investments and highly leveraged investments, loans to other parties, endorsement, guarantee, and derivative transactions, and response measures to be taken in the future.

The company is committed to its core business and has a conservative financial policy. The company has not engaged in high-risk or highly leveraged investments in the most recent year as of the date of report publication. It has established the, "Operational Procedures for Lending Capital to Others" and "Operational Procedures for Endorsements and Guarantees" as the bases for operations.

The company conducts trading in derivative commodities to avoid the risk of exchange rate

fluctuations of foreign currency assets. The exchange rate of the contract has been determined, and there is no significant risk of cash flow. The company has performed transactions with the banks with good credit, and the possibility of credit risk is extremely low. The company conducts the transactions in compliance with the "Procedures for Acquisition or Disposal of Assets" with regular monitoring and evaluation.

(3) Future research and development projects, and expenditures expected in connection therewith:

R & D expenses of the company and its subsidiaries in 2019 and 2018 were NT\$ 20,683 thousand and NT\$ 19,118 thousand respectively. Jinpao has started to establish the intelligent production system, strengthen the industry 4.0 capabilities, manufacturing via MES, Kiosk, PLM and highly customized ERP system which are available to collect production data automatically then provides real-time production status to managers and manufacturing department. With regard to the future product development direction, the sales department will develop value-added products that meet market demands. In terms of production process and technology development, the company keeps improving the manufacturing capabilities and introduces the latest automation equipment to improve production efficiency and product quality. In order to develop the work direction, the company will continue to spend R&D expenses to enhance the company's competitiveness.

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and response measures to be taken:

The company is an exempted company registered in the Cayman Islands, and the company is in compliance with Section 2 of Article 2-1 of Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, or the recommended securities firm considers the issuer's financial report has significant influence on the overall economy, changes in the political and economic environment, relevant laws and regulations, foreign exchange control and taxation of the country of registration and the country of operation, and whether or not to recognize the effectiveness of the civil judgment of the courts in ROC. Please refer to the description of the risk items on page 13 above.

The company's financial operations have not significantly affected by changes in major political policies and economic environment in the Cayman Island, Thailand and Taiwan in the most recent year and the year as of the publication date of the annual report.

(5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and response measures to be taken:

The Company always pays attention to the relevant technological changes in the industry, find out and keep up with the latest market trends, and evaluates its impact on the business operations. The company has no major technological or industrial changes that may significant affect the financial operations in the most recent year and the year as of the publication date of the annual report.

(6) Effect on the company's crisis management of changes in the company's corporate image, and response measures to be taken:

The company is committed to manufacture of high-quality products, and upholds the principle of good faith to maintain a good image of the company in the industry. In the most recent year and the year as of the publishing date of the annual report, the company has not changed the corporate image and affected the corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures to be taken:

In December 2018, the company completed the acquisition of two European subsidiaries, Atelier dedecolletage de Bigorre and SAS LUTEC. These two companies are professional aerospace milling machine suppliers, which have a synergy plus effect to the company's current production process capability; In addition, in the latest case happened in January 2020, the company also completed the acquisition of SPEM AERO SAS, a French company specializing in aerospace surface treatment and industrial painting, which is the first-tier supplier of Airbus Process. These three companies' factory locations are close to the French Airbus production base, which drives the two companies easily to access into the aerospace market and develop other quality customers. Other possible risks are due to the separation of Asian and European cultures. Relevant management methods and practices must be tailored to local conditions, and the advantages of both parties should be combined in order to create maximum benefits.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures to be taken:

In order to meet the order and production requirements of aerospace products, the subsidiary of the company, Jinpao (Thailand), has been expanded with the aerospace assembly and anode treatment plant at the current site of the Thai factory. It is expected to construction be completed within the October to November in 2019. In addition, the company will also apply for American aviation industrial certification "NADCAP" heat-treatment process line, and it is estimated that

can be obtained the certification in the second quarter of 2020, then going to mass production, which should make a significant contribution to the overall profit of the group.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures to be taken:

**i. Risks associated with purchasing and contingency measures**

Single source never happened in the Company. The company has so many suppliers to choice for major raw materials. The purchase ratios of the top ten suppliers of 2019 compared with 2018 were 40.61% and 49.37% respectively. In order to ensure the stability and reliability of the source on supply and quality, the company makes appropriate adjustments of the purchase in accordance with the customers' demands, safety stock and delivery status as well as the market demand. The company has no excessive concentration of purchasing sources.

**ii. Risks associated with sales and contingency measures**

Most of the company's customers are listed companies in Thailand or internationally renowned listed companies. The sales ratio of the first largest customers from the year 2017 to 2019 was 13.48%, 13.72% and 13.70%, respectively, kept in a stable trend. The company's end products are mainly applied for the industrial market rather than consumer electronics market. It belong kind of primarily customized products with relatively stable order all the way. The company has been recognized by the customers with its top-notch technology, and maintains a long-term stable cooperative relationship with them. The company's sales market comprises Asia, America and Australia, including Thailand and Japan. The company has actively developed business in European, and maintained good relationship with European customers. On the whole, the company has no risk in customer concentration.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding more than 10 percent of shares of the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

In the most recent year and the year as of the date of report publication, the information on share transfer of directors and shareholder holding more than 10 percent of shares of the company is described in the Page 87 of the annual report. The matter has no significant impact on the company's operation rights and financial operations.

(11) The impact and risks of changes in governance personnel or top management of the company, and

countermeasures:

There is no managing organizational change in the most recent year and up to the date of publication of the annual report.

(12) Litigious and non-litigious matters:

If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with more than 10 percent of shares of the company and affiliated companies, and the matter was finalized or remained pending during the current fiscal year up to the publication date of the annual report, the report shall disclose the information of the facts and amount in dispute, commencement date, main parties involved, and current status of the case.

In the most recent year and the year as of the date of report publication, there is no litigation or ongoing litigation, non-litigation.

(13) Other important risks and mitigation measures being or to be taken:

**i. Risk of price fluctuation on raw materials**

The main materials of the company's products are metals like iron, stainless steel and copper. In the last three years, the raw materials account for around 45% to 55% of product cost. The low-volume high-mix products are easily affected by the price fluctuation of raw materials in particular.

Countermeasures:

- A. Purchase raw materials from more suppliers to increase bargaining power of suppliers.
- B. Actively develop high value-added niche products to increase profits.
- C. Observe changes in the price of raw materials and use hedging instruments to mitigate the risk of price volatility.
- D. Keep close and long-term relationship with major suppliers to ensure stable supply of raw materials.

**ii. Risks associated with market competition**

Jinpao faces increasing competition from existing and new players in the market. The price

competition leads to lower profit margin, and forced the company to lower product price.

**Countermeasures:**

- A. Actively expand the market in the ASEAN region to eliminate market risk
- B. Build long-term relationship with existing customers, and develop new customers
- C. Continue to invest new equipment to enable innovative production process like smart factory to enhance production efficiency and reduce production cost so as to provide competitive pricing.
- D. Involved with the early-stage product development with customers to reduce price competition of mature products.
- E. Provide customers with integrated solutions of custom R&D to manufacturing services, product high-quality products, and offer a low-volume high-mix production with fast delivery to attract customers. Use the strategy to create entry barrier and differentiate it from competitors.

**iii. Foreign currency risk**

The company is selling and buying in U.S. dollars, and part of the customers use Euro as the trade currency. The company uses Thai baht for the payment to the suppliers and for the daily operations. The company is exposed to foreign exchange risk when there is appreciation of US dollars. Therefore, movements in foreign currency exchange rates have financial impact on the company's revenue and profit.

Countermeasures:

- A. Open a US dollar savings account, and deposit the payments of customers in US dollars from the exports in a foreign currency account which is used for procurement payments to the foreign suppliers, and reduce the impact of exchange rate fluctuations by means of natural hedge through offsets of foreign currency claims and debts foreign currency credits and debts.
- B. When a US dollar savings account, and deposit the payments of customers in US dollars from the exports in a foreign currency account which is used for procurement payments to the foreign suppliers, and reduce the impact of exchange rate fluctuations by means of natural hedge through offsets of foreign currency claims and debts foreign currency credits

and debts.

- C. The sales department considers the impact of exchange rate fluctuation on the sales price, and adjusts the product price according to the exchange rate fluctuation to mitigate the impact of exchange rate fluctuation on the company's revenue and profit before making a quotation for foreign customers.
- D. The sales and procurement staff uses the real-time stock and foreign exchange market information provided by the correspondent banks as the basis when making a quotation and purchases of raw materials.
- E. The company conducts the pre-sale of foreign exchange forward transaction depending on the foreign currency position and exchange rate changes in accordance with the Procedures for Acquisition or Disposal of Assets, and the net foreign exchange position is used as the hedged instrument after natural hedging to reduce the exchange rate risk arising from the business operations of the company.

#### **iv. Risks associated with talent outflow**

Contributed to the technological development, business strategies and client cultivation from high-ranking executives, the company has successfully grown and expanded its business since its inception. Most of the top management in the company has worked for more than ten years. The major personnel changes in the top management might cause operational risks. Therefore, the company is committed to providing a good working environment and welfare system to retain outstanding talents to enhance the company's competitiveness.

#### **Countermeasures:**

The company has been working to improve the internal working environment to reduce the risk of outflows of the top management. Talents are one of the most important assets, making the company highly competitive in the market. As a result, the company actively joins the academic and industry networks to approach outstanding talents and ask them to join the management team. On the other hand, it continues to provide a good working environment and welfare system to retain outstanding talents so as to enhance the company's competitiveness.

#### **v. Environmental regulations raise the trade barrier**

Due to destructed global ecological environment, imbalance of natural environment and increasing natural disasters, the worldwide governments pay more attention to environmental protection through legislation. Various regional and international organizations have signed

agreements and are committed to environmental protection. For example, the European Union has prohibited the use of certain hazardous substances in electrical and electronic equipment, including Lead, Cadmium, Mercury, Hexavalent Chromium, Polybrominated Biphenyls, Polybrominated Diphenyl Ether since July 1, 2006. In addition, it is stated in the appendix that the proportion of lead in steel shall not exceed 0.35%, and restricts the use of lead-bearing materials such as leaded free-cutting steel. The legislation has great influence on the products which are able to be distributed in the region or not, as well as on customers' willingness to purchase and evaluation of the supplier, in addition to the impact on transaction cost.

### **Countermeasures:**

In recent years, the awareness of environmental protection has risen. To meet the market requirement, the materials and production process adopted by Jinpao are compliant with environmental safety regulations. For example, each batch of the main raw materials including stainless steel, aluminum, copper, steel and other metals will be attached with a Mill Certificate or SGS test report. And the company has a mass spectrometer which is a sophisticated testing instrument used for total inspection of incoming materials from external suppliers to ensure the chemical composition of metals and product testing to meet RoHS compliance. The iron scraps or residual materials generated in the production process are recycled to the steel mill for re-refining into steel raw materials.

The company's operational activities have been affected by climate change. As a result, the company conducted greenhouse gas inventory, and take measures to reduce carbon emission and greenhouse gas like changing the entire factory lighting to LED lights in 2015. Thus, the company was awarded the Green Star Award by the Industrial Estate Authority of Thailand in 2015. In the third quarter of 2018, the company invested in the construction of 100,000 kWh systems for solar power generation to meet the requirements of energy conservation, carbon reduction and world environmental protection. The company uses this alternative energy source to protect the environment and save electricity by 400,000 baht per month (100,000 kWh / month).

### **vi. Protection of shareholders' equity**

There are many different differences between the Companies Law of Cayman Islands and Company Act of Taiwan. Although the Company has amended the Articles of Incorporation in accordance with the Checklist of Shareholders Right Protection Items for the foreign issuer released by Taiwan Stock Exchange Corporation. However, there are still many differences in terms of business operation, and the legal rights. The Law of ROC is not completely

applicable to the company registered in the Cayman Islands. The investor may consult with experts before the investment, and understand the shareholder

Investors investing on the offshore company with a registration office in Cayman Islands companies they invest in. Investors should know and consult with experts to invest in whether the Cayman Islands has unprotected shareholders' rights.

**vii. Certain conditions are possibly unable to provide sufficient protection**

There are many risks and dangers in the business operation procedures, including failure, damage or abnormality of machinery and equipment, delay in delivery of equipment, labor strikes, fires, natural disasters, environmental disasters, occupational injuries, etc., which may have material adverse impacts on the Company's operations. Although the Company has insured fixed assets and inventory in accordance with the practices of the country of operation, such insurance may not be able to provide sufficient protection under certain circumstances. If the company suffers losses, it may adversely affect the company's operations.

**viii. Explanation of information security risk assessment analysis**

Analysis of the company's existing systems and ISA95 standards; at the business planning and logistics platforms there are ERP, PLM, HR, JODS, BPM, BI, KM, etc., whilst at the manufacturing operation platform with JSIMS information system and AP100, and in factory at the monitoring system such as View and V Factory has CCTV and sensors installed at the perception layer. Except that every production machine usually does not provide external maintenance out of internet remote connection, the other backbone network architectures are equipped with firewalls for external links, and the backup mechanism is equipped with remote backup hosts. Although each system has different levels of information security protection, the target of recovery time since infected & damage is set within one hour. The external hard disk of the company's PC is controlled and recorded through DLP behaviors, the installation process of antivirus software in the factory, has to update in the WI operation instructions, and the virus code update mechanism has the antivirus server centrally to update the virus code simultaneously.

**7. Other important matters: None**

## VIII. Special Notes

### 1. Information about the company's Affiliates

(1) Consolidated business report of affiliated companies

i. Organizational chart of affiliate companies

Please see: organization chart in the Company Profile

ii. Basic information of affiliated companies—company name, date of incorporation, address, paid-in capital, types of business

Company Name	Setup date	address	Paid-in capital	Main biz scope
Jinpao Precision Industry Co., Ltd.	Jan. 13, 1998	631 Soi 12 Moo 4 Bangpoo Industrial Estate T. Phraksa, A. Muang, Samutprakarn 10280 Thailand.	THB 633,750,000	Design, manufacture and sell custom precision sheet metals.
Jinpao Precision Japan Co., Ltd.	Feb. 2, 2015	Vision Center Nihonbashi Fukushima Bldg. 2F, 1-5-3 Nihonbashimuromachi, Chuo-ku, Tokyo, 103-0022, Japan.	JPY 30,000,000	Responsible for the Japanese market and after-sales services.
Jinpao Europe SAS	Nov. 23, 2018	Zone Industrielle Pyrène Aéroport, 65290 Louey R.C.S. TARBES FRANCE	Euro 2,500,000	The joint venture owns two French milling plants ADB and Lutec.
Atelier de décolletage de Bigorre (ADB)	Mar. 24, 1999	Zone Industrielle Pyrène Aéroport, 65290 Louey R.C.S. TARBES FRANCE	Euro 103,968	Product and sale of metal milling parts
SAS LuTec	Apr. 29, 2004	27 Chemin Lou Tribail Zone Artisanale de Toctoucau CESTAS, 33610 FRANCE	Euro 287,548	Product and sale of metal milling parts
Wefly Aero Co., Ltd	Aug. 16, 2019	647 Moo4 Soi 11 Phraksa, A. Muang, Samutprakarn 10280 Thailand	THB 5,620,000	Aerospace education and training

iii. The presumption of a relationship of subordination and control under Article 369-3 of the Company Law: None

iv. The business scopes of affiliated companies are listed as below. If any of the affiliated companies has business relation with each other, the mutual dealings and division of work among affiliates shall be described.

Company Name	Business Operations	Description of the mutual dealings and division of work among affiliates
Jinpao Precision Industry Co., Ltd.	Design, manufacture and sell custom precision sheet metals.	Not applicable

Jinpao Precision Japan Co., Ltd.	Responsible for the Japanese market and after-sales services.	Provide after-sales and product design services for the parent company. Explore business opportunities in the local market, cultivate customer relationships, and develop business.
Jinpao Europe SAS	The joint venture owns two French milling plants ADB and Lutec.	Explore business opportunities in European and African markets, cultivating customer relationships, and develop business.
Atelier de décolletage de Bigorre (ADB)	Produce and sale of metal milling parts	Produce, sale and provide service for European and African clients
SAS LuTec	Produce and sale of metal milling parts	Produce, sale and provide service for European and African clients

- v. Names of directors and presidents of affiliated companies, and their shareholding or capital contribution to the company.

Dec. 31, 2019				
Company name	Title	Name or representative	Shares owned	
			Capital Contribution / Shares	Shareholding Percentages (%)
Jinpao Precision Industry Co., Ltd.	Chairman and General Manager	Chung Kuo-Sung	1	0.00
	Director of the Board	Wang Wen-Shan	1	0.00
	Director of the Board and Deputy General Manager	Kuo Hui-Ling	0	0.00
Jinpao Precision Japan Co., Ltd.	Director of the Board	Yoshiaki Hoshizaki	60	10.00

	Director of the Board	Chung Kuo-Sung	0	0.00
Jinpao Europe SAS	Chairman	Chung Kuo-Sung	-	0.00
	Managing Director	Frederic BOURGON	600,000	24.0
	Director of the Board	Chen Hsin-Yuan	-	0.00
Atelier de décolletage de Bigorre (ADB)	Chairman	Chung Kuo-Sung	-	0.00
	Managing Director	Frederic BOURGON	-	0.00
	Director of the Board	Chen Hsin-Yuan	-	0.00
SAS LuTec	Chairman	Chung Kuo-Sung	-	0.00
	Managing Director	Frederic BOURGON	-	0.00
	Director of the Board	Chen Hsin-Yuan	-	0.00

vi. Operation Status of affiliate companies:

Dec 31, 2019 Unit: NT\$ thousand

Co., name	capital	Total assets	Total liabilities	Net value	Operation incomes	Operation profit	Netincome (after tax)	EPS\$(after tax)
Jinpao Precision Industry Co., Ltd.	639,961	2,573,027	878,790	1,694,236	1,230,883	162,553	124,793	1.97
Jinpao Precision Japan Co., Ltd.	8,280	848	50	798	1,068	733	714	1,190.55
Jinpao Europe SAS	83,975	334,969	254,711	80,258	-	19,300	(3,591)	(1.44)

Atelier de décollage de Bigorre	3,492	91,094	31,451	59,642	149,877	(6,289)	(6,621)	(1,103.57)
LuTec SAS	9,659	26,050	17,890	8,160	59,923	(13,640)	(8,487)	(20.30)
Wefly Aero Co., Ltd	5,675	4,250	1,019	3,231	-	(2,423)	(2,422)	(0.43)

(2) The consolidated financial statement of affiliated companies: please refer to the consolidated financial statements in the Financial Profile on the page 188.

Relational Business Consolidated Financial Statements:

(3) Relational report: None

**2. Transaction about the company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**

**3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**

**4. Descriptions of material matters of domestic shareholders' equity**

<b>Important matters of shareholder right protection</b>	<b>The differences of Articles of Incorporation</b>
1. All general meetings shall be held in the territory of ROC. If the Directors resolve to hold a general meeting outside ROC or the shareholder(s) obtain the approval of the regulatory authority to hold a general meeting outside ROC, the Company or such shareholders shall apply for the approval of the Taipei Exchange (TPEX) thereof within two days after the board resolution or the authority's approval.	1. The Companies Law of Cayman Island does not regulate the convening of shareholders' general meeting, so Article 19.6 of the Article of Incorporation has not stated that the application of a general meeting convened by shareholders shall be submitted to the regulatory authority. The shareholders convene the extraordinary general meeting outside the ROC without an approval of the regulatory authority in the Cayman Islands, so Article 18.2

<p>2. The shareholders who hold at least three percent of the issued shares for more than one year are entitled to convene the extraordinary general meeting and specifying the subjects for discussion and the reasons in writing. If the Board fails to give a notice for convening such meeting within 15 days after the date of such deposit, the shareholders are entitled to convene the general meeting after the authority's approval.</p>	<p>of the Articles of Incorporation only stated the application shall be submitted to TSE for its prior approval. If it is not subject to "the shareholder(s) who obtain the approval of convening shall apply for the approval of the Taipei Exchange (TPEX) thereof within two days", it may have no substantial impact on the shareholders rights and interest of ROC.</p>
<p>When the company convenes a shareholders' meeting, the votes may be exercised by correspondence or electronically. The company shall adopt the electronic voting as one of the methods for exercising the votes if the company is in the range of companies subject to electronic voting requirement. If the general meeting is held outside Taiwan, the voting shall be exercised in writing or by way of electronic transmission. A Shareholder who exercises voting rights by correspondence or electronically shall be deemed to have attended such general meeting in person, but shall be deemed to have waived his votes in accordance with the extempore motion and the amendments of the proposals at such general meeting.</p>	<p>In respect of the exercise of voting rights by shareholders by correspondence or electronically, the Companies Law of Cayman Island does not state whether shareholders who exercise their voting rights by correspondence or electronically can be deemed to have attended the shareholders' meeting in person, and the lawyer of Cayman Islands have not found any relevant cases. The Article 25.4 states that " if the shareholder exercises voting rights by correspondence or electronically in accordance with the above provision, that is the shareholder appoints the chair to be a proxy to attend a shareholders meeting. The proxy cannot exercise voting rights for the items not stated in the written or electronic documents, and or for the amendments to original proposal of that meeting. A shareholder exercising voting rights by correspondence or electronic means will be deemed to waive his/her rights with respect to the extempore motion and /or amendments to original proposals of that meeting."The voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. In accordance with the Article of Incorporation 26.3, when the Chair is pointed as proxy to attend the general meeting to exercise the voting right, he/she is not subject to the regulation.</p>
<p>A company shall not do any of the following acts</p>	<p>1. Regarding the method of resolution at the</p>

<p>without a resolution adopted by a majority of the shareholders present who represent two-thirds or more than half of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> <li>1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others, transfer the whole or any essential part of its business or assets, accept the transfer of another's whole business or assets, which has great impact on the business operation of the company.</li> <li>2. Change the Articles of Incorporation</li> <li>3. The rights of shareholders holding preferred shares may be varied because of changes of the Articles of Incorporation, the revision shall be approved by a special resolution passed at a separate shareholders general meeting.</li> <li>4. Make distribution of whole or part of dividends and bonus by the issuance of new shares</li> <li>5. Resolutions of dissolution, consolidation or merger, and split-up</li> <li>6. Issue restricted shares to employees</li> </ol>	<p>shareholders' meeting, in addition to the ordinary resolution and supermajority resolution in accordance with the applicable law, the Article 1.1 of the Articles of Incorporation specifies "Special Resolution" under the Companies Law of Cayman Islands. At the shareholders' meeting of the company, the resolution is approved by shareholders entitled to participate in the voting and attend the meeting in person, by authorization letters, or by a legally authorized representative by a non-natural person. The resolution is approved by at least two-thirds of the shareholders with the right to vote.</p> <p>2. Abide by the Companies Laws of Cayman Islands, the following items shall be approved by a special resolution:</p> <p>(1) Change Articles of Incorporation</p> <p>According to the Companies Law of Cayman Islands, the change of Articles of Incorporation shall be based on the Special Resolution of the Law. Therefore, Article 12.1 of the Articles of Incorporation does not determine the threshold and changed into the supermajority resolution in accordance with the Checklist of Shareholders Right Protection Items. In addition, in accordance with Article 13 of the Articles of Incorporation, if any modification or change to the Articles of Incorporation may affect any type of preferred rights, the relevant amendments or changes shall be passed by special resolution and shall be convened separately by the shareholders of the damaged shares. The shareholders' meeting was approved by a special resolution.</p> <p>(2) Dissolution:</p> <p>In accordance with the Companies Law of Cayman Island, if the company cannot pay their debts, it may be wound up and go into liquidation voluntarily. The resolutions of dissolution shall be made at the</p>
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	<p>shareholders' meeting. The dissolution shall be made by a special resolution in accordance with the Companies Law of Cayman Island. Article 12.4(a) states determines the threshold for the resolution of the company to be voluntarily liquidated and dissolved due to the inability to settle its debts at maturity, and has not been changed into the items of supermajority resolution according to the provisions in the Checklist of Shareholders Right Protection Items.</p> <p>(3) Consolidation / Merger:  A "merger" or "consolidation" as defined under Companies Law of Cayman Islands is regulated by the mandatory provisions for the voting method, Article 12.3(b) of the Articles of Incorporation states the consolidation shall be approved by a supermajority resolution. The merger and/or consolidation defined by the Companies Law of Cayman Island may be approved by a special resolution.</p> <p>3. With regard to the difference between the matters mentioned above and in the Checklist of Shareholders Right Protection Items, the supermajority resolution in the Checklist of Shareholders Right Protection Items shall be regulated by supermajority resolution and special resolution respectively in the Articles of Incorporation. As these differences are due to legal requirements of the Cayman Islands, and the company's Articles of Incorporation have already listed the supermajority resolutions and special resolution in the Articles of Incorporation. As a result, the impact of shareholders' equity should be limited.</p>
<p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the</p>	<p>The Companies Law of Cayman Islands does not state the "Supervisor", and the issuer shall set up an audit committee. Therefore, there is no relevant</p>

<p>territory of the Republic of China.</p> <ol style="list-style-type: none"> <li>2. The term of office of a supervisor shall not exceed three years, but he/she may be eligible for re-election.</li> <li>3. In case all supervisors of a company are discharged, the board of directors shall, within 60 days, convene an extraordinary general meeting of shareholders to elect new supervisors.</li> <li>4. Supervisors shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the company, inspect accounting books and documents, and request the board of directors or managers to make reports thereon.</li> <li>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make an auditing report of their findings and opinions at the meeting of shareholders.</li> <li>6. In performing their functional duties under the preceding Paragraph, the supervisors may appoint a certified public accountant and lawyer to conduct the auditing on behalf of the Company.</li> <li>7. Supervisors shall attend the board meeting to express their opinions. In case the board of directors or any directors are in violation of the laws when carrying out the business operations of the company, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, the board of directors or the director to cease such act.</li> <li>8. Supervisor may each exercise the supervision</li> </ol>	<p>regulation in the Articles of Incorporation.</p>
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<p>power individually.</p> <p>9. A supervisor shall not be concurrently a director, a manager or other staff of the company.</p>	
<p>1. Any shareholders holding 3 percent or more of the total number of issued shares for a period of one year or a longer time shall have the right to submit a petition in writing for and on behalf of the Company against its director(s), and the Taiwan Taipei District Court may be court of the first instance for this matter.</p> <p>2. If the supervisor does not file litigation within 30 days after the shareholder's petition, the shareholder may file a lawsuit against the company, and agrees that Taipei District Court of Taiwan shall be the court of first instance for any litigation arising out of the articles.</p>	<p>The Companies Law of Cayman Islands does not state the "Supervisor", and the issuer shall set up an audit committee. Therefore, there is no relevant regulation in the Articles of Incorporation.</p> <p>However, with reference to Article 214 of the Company Act of the Republic of China on the minority shareholder's lawsuits and derivative actions against a director, (a) Article 48.3 of the Articles of Incorporation states that shareholders holding 3% or more of the total number of issued shares for a period of one year or a longer time (a) shall have litigation rights to file a lawsuit against the directors of the company, and agrees that Taipei District Court of Taiwan shall be the court of first instance for any litigation arising out of the articles. Or (b) the shareholders can ask the independent director in the audit committee to file a petition in writing against the director on behalf of the company, and agrees that Taipei District Court of Taiwan shall be the court of first instance for any litigation arising out of the articles. With references to (a) and (b), within 30 days after receiving the shareholder's claims, if (i) the Board of Directors does not give official permission for abovementioned conducts or the authorized independent director in the audit committee doesn't not file a lawsuit, or (ii) the commissioned independent director in the audit committee doesn't not file a lawsuit, the shareholders are eligible to file a lawsuit to the director on behalf of the company under the Law of the Cayman Island. Taipei District Court of Taiwan shall be the court of first instance for the litigation.</p> <p>However, lawyers in the Cayman Islands reminded</p>

	<p>the following provisions:</p> <p>The Companies Law of Cayman Island does not allow certain minority shareholders to file specific rules of derivative proceedings against directors in the Cayman Island's court. The company's Articles of Island is not a contract between the shareholders and the directors, but the agreement between the shareholders and the company is that even if the minority shareholders are allowed to file a derivative action against the directors in the Articles of Island, lawyers in the Cayman Island consider the content will not be able to regulate the directors. However, under the common law, all shareholders (including minority shareholders) have the right to file derivative actions (including litigation against directors) regardless of their shareholding ratio or shareholding period. Once the shareholder files a suit, the court in the Cayman Islands will have full discretion to determine whether the shareholder can continue the lawsuit.</p> <p>In the statement, even if the company's Articles of Incorporation (or shareholders with the required shareholding ratio or within the shareholding period) permits the shareholders to have the right to file a lawsuit against the director on behalf of the company. Whether the lawsuit can continue, the court in the Cayman Islands has the authority to rule on the case. According to the relevant judgment of the Grand Court in the Cayman Islands, when considering whether to approve the continuation of derivative proceedings, the applicable criterion is whether the Grand Court believes and accepts that the plaintiff's claim on behalf of the company is substantial and the unlawful conduct is claimed by the controllable company, and the controllers can prevent from the company's litigation. The Grand Court will make a determination on a case-by-case basis in accordance with the evidence. (Although</p>
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	<p>the court may consider the statement of the Article of Incorporation, but it's not the decisive factor.)</p> <p>Under the Companies Law of the Cayman Islands, the Board of Directors shall make decisions (instead of individual directors) on behalf of the company. Therefore, the directors shall, in accordance with the provisions of the Articles of Incorporation, authorize any director to file a lawsuit against other directors on behalf of the company by a resolution at the board meeting. The Companies Law of the Cayman Islands does not stated in writing that shareholders are authorized to convene a board meeting to a make resolution of the specific matter. However the Law does not prohibit the company from establishing rules relating to the board meeting agenda in the Articles of Incorporation (including the provisions of convening the board meeting).</p>
<ol style="list-style-type: none"> <li>1. A director shall have loyalty and shall exercise due care of a good administrator in conducting the business operation of the company. If he/she has acted contrary thereto, he/she may be liable for the damages sustained by the company there from. If the director does anything for himself/herself or on behalf of another person in violation of the preceding provision, the shareholders shall consider the earnings in such an act as earnings of the company and request the relevant director to return the benefit by a resolution at the shareholders' meeting.</li> <li>2. If a director has, in the course of conducting the business operations of the company, violated any provision of the applicable laws and/or regulations and thus caused damages to any other person, he/she shall be liable for the damage and required to pay compensation.</li> </ol>	<p>In accordance with the Article 48.4 of the Articles of Incorporation, “without prejudice and subject to the general directors’ duties that a director owe to the company and its shareholders under common law principals and the laws of the Cayman Islands, the director shall have loyalty and shall exercise due care of a good administrator in conducting the business operation of the company. If the responsible person of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to the company, he/she shall be liable for the damage to the company. If the director does anything for himself/herself or on behalf of another person in violation of the preceding provision, the company shall, subject to the ordinary resolutions of the shareholders' meeting, take all appropriate actions and measures to the extent permitted by law to request the relevant</p>

<p>3. Any manager and supervisor of the company shall bear the same liability for damages as the directors of the company when conducting the business operations.</p>	<p>director to return the benefit to the company. If a director has, in the course of conducting the business operations of the company, violated any provision of the applicable laws and/or regulations and thus caused damages to any other person, the director and the company have joint and several liabilities to compensate for such damage. If the director's indemnification obligation for such damage is not joint and several due to any reason, the director shall supplement any losses suffered by the company in violation of his or her responsibilities. The manager has the same indemnification obligation as the director of the company in the course of conducting the business operations.”</p> <p>However, lawyers in the Cayman Islands reminded the following provisions: The director's duties can be roughly divided into a duty to exercise reasonable care, skill and diligence under the common law, and duty of loyalty. However, the directors are legally obligated under the provisions of various laws and, in certain circumstances, also have obligations to third parties (such as creditors). If the company is unable to pay off the debts or intents to evade payment of duty, the directors should consider the interests of the creditors when performing their duties.</p> <p>The company's Articles of Incorporation is an agreement between shareholders and the company, and the directors are not the related party of the company's Articles of Incorporation. As a result, all rights to claim damages to the directors caused by breaches of the obligations shall be stated in the service contract. Under the law in the Cayman Island, in general, a manager or supervisor does not have the same responsibility as a director or</p>
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	<p>shareholder of the company. However, if the manager or supervisor is authorized to act on behalf of the senior executive, it will be subject to the same obligations as the company's directors. For the avoidance of doubt, the companies registered in the Cayman Island are generally required to regulate the liabilities and duties of managers or supervisors to the company and the shareholders of the company in the service contracts. Since the company's Articles of Incorporation are the agreement between shareholders and the company, the manager or supervisor is not the related party of the company's Articles of Incorporation. As a result, all rights to claim damages to the directors caused by breaches of the liabilities shall be stated in the service contract.</p> <p>In addition, regarding the provisions of the Directors' interests as the company's income, Lawyers in the Cayman Island considers that such regulations uncertain and too general, so they have doubts about their enforceability. For example, whether the court has the authority to rule on the case on a director's breach of obligation, and how to define the benefit (and the period in which it benefits). Cayman's lawyers also believe that this clause does not limit the director's obligations. Directors are still subject to various statutory obligations, duties specified in the common law and duty of loyalty under the Law in the Cayman Island.</p>
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**5. Other Necessary Supplementary Notes**

**Commitment items of the listed company, and the information of implementation status:**

Commitment items	Status of implementation	Results
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Commitment items	Status of implementation	Results
<p>1. The Company commits to modify the Procedures for Acquisition or Disposal of Assets to add the provision “The Company shall not waive the capital increase of Jinpao Precision Industry Co., Ltd. in coming years. Jinpao Precision Industry Co., Ltd. shall not waive the capital increase of JP Belgium BVBA in coming years. In the future, if the company is required to abandon the capital increase or dispose of the company in consideration of the strategic alliance or other consent of Taipei Exchange, it must be approved by the special resolution of the company’s board meeting.” Any amendment shall be disclosed on the Disclosure of Material Corporate Governance Information, and reported to Taipei Exchange for future reference.</p>	<p>In accordance with the OTC Commitment required from Taipei Exchange (TPEX) on August 1, 2014 by Letter No. issued by Taipei Exchange on August 1, 2014, the company issued a letter of undertaking on July 1, 2014, and board meetings was convened on August 14, 2014 to approve the amended provisions of the Procedures for Acquisition or Disposal of Assets. The amended approved at the extraordinary shareholders’ meeting on August 22.</p>	<p>The undertaking was completed in 2014. Recently, JP Belgium BVBA has been closed for liquidation. On March 25, 2016. The Board of Directors passed the amended the Procedures for Acquisition or Disposal of Assets that deleted some provisions. The proposal has been discussed and <i>approved</i> by resolution at the shareholders' meeting on June 17.</p>
<p>2. The Company commits that the Related Party Transaction Policy, Procedures of Related Party, Specific Companies a ND Group Enterprises Transaction Management between the Company and the related parties shall be submitted to the Board of Directors of the Company and approved by the special resolution at the board meeting. The independent directors shall attend the meeting and express their opinions.</p>	<p>In accordance with the OTC Commitment required from TPEX on August 1, 2014 by Letter No. 10301011581, the Company issued a letter of undertaking on July 22, 2014, and convened the board meeting to modify the Procedures Of Related Party, Specific Companies and Group Enterprises Transaction Management of the company which was audited and approved by the audit committee. The amendments were approved by the special resolution passed at the board meeting.</p>	<p>The undertaking was completed in 2014.</p>
<p>3. The company commits to amend the articles of incorporation of the Company without violating the Cayman Islands Act (including mandatory or prohibitory provisions), so that the articles of incorporation comply with the relevant provisions of the Company Law and Securities and Exchange Act of the Republic of China, and convened the shareholders' meeting to discuss and pass the revision of the company's articles of incorporation before IPO and listing on the market.</p>	<p>In accordance with the OTC Commitment required from TPEX on August 1, 2014 by Letter No. 10301011581, the company issued a letter of undertaking on July 22, 2014, and convened the board meeting on August 14, 2014 to amend the Articles of Incorporation of the company. The amendments were approved by shareholders at the extraordinary generally meeting on August 22.</p>	<p>The undertaking was completed in 2014.</p>
<p>4. The company commits to approve the amendment of the provisions of Article 9 of the articles of incorporation of the Company regarding the change of the company’s</p>	<p>The 9th Board of Directors discussed and approved the amendments to the</p>	<p>The undertaking was completed in 2015.</p>

Commitment items	Status of implementation	Results
<p>registration place at the last shareholders' meeting (annual or extraordinary general meeting) that deleted the paragraph "... and except for the Company Law (and its amendments) and other provisions provided in the company's Articles of Incorporation, the company has the right to continue to exist as an incorporation under other applicable laws outside the Cayman Islands, and to cancel the registration in the Cayman Islands" as well as to deleted the provisions of Article 20.4 concerning the missing notification of shareholders' meetings.</p>	<p>memorandum and articles of incorporation on March 26, 2015. The resolutions were submitted to the shareholders' meeting. The shareholders voted to approve the amendments on June 30, 2015.</p>	
<p>5. The Company commits that the registered office of the Company shall be maintained in the Cayman Islands without being changed or transferred to jurisdiction outside the Cayman Islands before the shareholders' meeting approves the provisions of Article 9 of the company's Articles of Incorporation.</p>	<p>The company's registered office is still in the Cayman Islands in accordance with the letter of undertaking and the amended Article 9 of the Articles of Incorporation.</p>	<p>The undertaking is under implementation.</p>

### IX. Material effect on price or value of securities

If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.

## **Appendix**

### **JPP Holding Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
JPP Holding Company Limited

### **Opinion**

We have audited the accompanying consolidated financial statements of JPP Holding Company Limited and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### The Occurrence of Revenue Recognition

The Group's consolidated revenue for the year ended December 31, 2019 was NT\$ 1,437,581 thousand. Of all revenue, NT\$ 356,327 came from specific clients. And the operating revenue's degree of concentration on the same clients was higher than the year of 2018; the operating revenue generated from these clients is considered to be significant. Therefore the occurrence of revenue recognition has been deemed as a key audit matter.

The main audit procedures we performed in response to the above-mentioned key audit matter were as follows:

- Understood and tested the process of credit approval, sales prices, and terms of conditions to ensure that the trades with the clients are appropriately approved and verified with relevant evidence.
- Selected samples from all the sales transactions done with the clients for testing. Which included inspecting invoices and delivery notices and verifying the relevant documents for subsequent receipts to ensure the occurrence of the revenue recognized.
- Inspected subsequent events to ensure that no significant returns and allowances had occurred.

#### **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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect 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 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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 Ching-Cheng Yang and Chih-Yuan Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2020

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 546,877	16	\$ 143,030	6
Financial assets at amortized cost - current (Notes 9 and 31)	90,862	3	60,721	2
Trade receivables (Note 10)	296,662	9	298,772	12
Trade receivables from related parties (Notes 10 and 30)	1,763	-	13,386	1
Inventories (Note 11)	266,737	8	277,713	11
Other current assets (Notes 18 and 30)	<u>141,256</u>	<u>4</u>	<u>28,708</u>	<u>1</u>
Total current assets	<u>1,344,157</u>	<u>40</u>	<u>822,330</u>	<u>33</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	15,551	1	10,029	-
Investments accounted for using the equity method (Note 13)	1,156	-	-	-
Property, plant and equipment (Notes 14 and 30)	1,467,826	44	1,368,637	54
Right-of-use assets (Notes 3, 4 and 15)	61,961	2	-	-
Other intangible assets (Note 17)	109,589	3	118,499	5
Goodwill (Note 16)	53,487	2	55,608	2
Deferred tax assets (Note 25)	4,583	-	4,354	-
Other non-current assets (Note 18)	<u>261,366</u>	<u>8</u>	<u>137,448</u>	<u>6</u>
Total non-current assets	<u>1,975,519</u>	<u>60</u>	<u>1,694,575</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 3,319,676</u>	<u>100</u>	<u>\$ 2,516,905</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 31)	\$ 509,464	15	\$ 199,730	8
Financial liabilities at fair value through profit or loss - current (Notes 7 and 20)	4,804	-	-	-
Notes payable	1,767	-	10,612	1
Trade payables	109,669	3	157,021	6
Trade payables to related parties (Note 30)	3,427	-	7,831	-
Other payables (Notes 21 and 30)	98,445	3	85,534	3
Current tax liabilities (Note 25)	49	-	4,893	-
Lease liabilities - current (Notes 3, 4 and 15)	13,495	1	-	-
Current portion of long-term borrowings (Notes 19 and 31)	169,676	5	126,075	5
Finance lease payables - current (Note 15)	-	-	146	-
Other current liabilities	<u>16,354</u>	<u>1</u>	<u>13,167</u>	<u>1</u>
Total current liabilities	<u>927,150</u>	<u>28</u>	<u>605,009</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 20)	186,681	6	-	-
Long-term borrowings (Notes 19 and 31)	202,282	6	233,848	9
Deferred tax liabilities (Note 25)	38,544	1	37,372	2
Lease liabilities - non-current (Notes 3, 4 and 15)	35,933	1	-	-
Net defined benefit liabilities - non-current (Note 22)	31,148	1	23,861	1
Guarantee deposits received	<u>25</u>	<u>-</u>	<u>24</u>	<u>-</u>
Total non-current liabilities	<u>494,613</u>	<u>15</u>	<u>295,105</u>	<u>12</u>
Total liabilities	<u>1,421,763</u>	<u>43</u>	<u>900,114</u>	<u>36</u>
Total equity				
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)</b>				
Share capital				
Ordinary shares	<u>436,646</u>	<u>13</u>	<u>394,646</u>	<u>16</u>
Capital surplus	<u>933,720</u>	<u>28</u>	<u>775,720</u>	<u>31</u>
Retained earnings				
Legal reserve	88,674	3	74,022	3
Special reserve	89,284	3	89,284	3
Unappropriated earnings	<u>252,191</u>	<u>7</u>	<u>278,049</u>	<u>11</u>
Total retained earnings	<u>430,149</u>	<u>13</u>	<u>441,355</u>	<u>17</u>
Other equity	<u>77,911</u>	<u>2</u>	<u>(15,914)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>1,878,426</u>	<u>56</u>	<u>1,595,807</u>	<u>63</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>19,487</u>	<u>1</u>	<u>20,984</u>	<u>1</u>
Total equity	<u>1,897,913</u>	<u>57</u>	<u>1,616,791</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 3,319,676</u>	<u>100</u>	<u>\$ 2,516,905</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
OPERATING REVENUE (Note 30)	\$ 1,437,581	100	\$ 1,217,575	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>991,453</u>	<u>69</u>	<u>805,152</u>	<u>66</u>
GROSS PROFIT	<u>446,128</u>	<u>31</u>	<u>412,423</u>	<u>34</u>
OPERATING EXPENSES (Notes 24)				
Selling and marketing expenses	44,312	3	44,252	4
General and administrative expenses	243,345	17	172,919	14
Research and development expenses	20,683	2	19,118	2
Expected credit loss	<u>2,138</u>	<u>-</u>	<u>95</u>	<u>-</u>
Total operating expenses	<u>310,478</u>	<u>22</u>	<u>236,384</u>	<u>20</u>
PROFIT FROM OPERATIONS	<u>135,650</u>	<u>9</u>	<u>176,039</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 24 and 30)				
Other income	4,581	-	3,942	-
Other gains and losses	(12,610)	(1)	5,326	1
Finance costs	(21,693)	(1)	(11,558)	(1)
Share of profit or loss of associates	<u>(606)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(30,328)</u>	<u>(2)</u>	<u>(2,290)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	105,322	7	173,749	14
INCOME TAX EXPENSE (Note 25)	<u>14,644</u>	<u>1</u>	<u>27,280</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>90,678</u>	<u>6</u>	<u>146,469</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (Notes 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	-	-	2,709	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	4,778	1	(1,562)	-

(Continued)

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
Exchange differences arising on translation to the presentation currency	<u>87,053</u>	<u>6</u>	<u>54,782</u>	<u>5</u>
Other comprehensive income for the year, net of income tax	<u>91,831</u>	<u>7</u>	<u>55,929</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 182,509</u>	<u>13</u>	<u>\$ 202,398</u>	<u>17</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 91,402	6	\$ 146,518	12
Non-controlling interests	<u>(724)</u>	<u>-</u>	<u>(49)</u>	<u>-</u>
	<u>\$ 90,678</u>	<u>6</u>	<u>\$ 146,469</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 185,227	13	\$ 202,977	17
Non-controlling interests	<u>(2,718)</u>	<u>-</u>	<u>(579)</u>	<u>-</u>
	<u>\$ 182,509</u>	<u>13</u>	<u>\$ 202,398</u>	<u>17</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 2.31</u>		<u>\$ 3.74</u>	
Diluted	<u>\$ 2.31</u>		<u>\$ 3.69</u>	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

**JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity		Non-controlling Interests	Total Equity	
	Ordinary Share Capital (Note 23)		Capital Surplus (Note 23)	Retained Earnings (Note 23)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
	Shares (Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						Total
BALANCE AT JANUARY 1, 2018	38,891	\$ 388,913	\$ 747,180	\$ 53,566	\$ 89,284	\$ 273,730	\$ 416,580	\$ (69,664)	\$ -	\$ 1,483,009	\$ 10	\$ 1,483,019
Appropriation of 2017 earnings												
Legal reserve	-	-	-	20,456	-	(20,456)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(124,452)	(124,452)	-	-	(124,452)	-	(124,452)
	-	-	-	20,456	-	(144,908)	(124,452)	-	-	(124,452)	-	(124,452)
Convertible bonds converted to ordinary shares	573	5,733	28,540	-	-	-	-	-	-	34,273	-	34,273
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	21,553	21,553
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	146,518	146,518	-	-	146,518	(49)	146,469
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	2,709	2,709	55,312	(1,562)	56,459	(530)	55,929
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	149,227	149,227	55,312	(1,562)	202,977	(579)	202,398
BALANCE AT DECEMBER 31, 2018	39,464	394,646	775,720	74,022	89,284	278,049	441,355	(14,352)	(1,562)	1,595,807	20,984	1,616,791
Appropriation of 2018 earnings												
Legal reserve	-	-	-	14,652	-	(14,652)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(102,608)	(102,608)	-	-	(102,608)	-	(102,608)
	-	-	-	14,652	-	(117,260)	(102,608)	-	-	(102,608)	-	(102,608)
Issuance of ordinary shares for cash	4,200	42,000	158,000	-	-	-	-	-	-	200,000	-	200,000
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	1,221	1,221
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	91,402	91,402	-	-	91,402	(724)	90,678
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	89,047	4,778	93,825	(1,994)	91,831
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	91,402	91,402	89,047	4,778	185,227	(2,718)	182,509
BALANCE AT DECEMBER 31, 2019	43,664	\$ 436,646	\$ 933,720	\$ 88,674	\$ 89,284	\$ 252,191	\$ 430,149	\$ 74,695	\$ 3,216	\$ 1,878,426	\$ 19,487	\$ 1,897,913

The accompanying notes are an integral part of the consolidated financial statements.

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018 (Audited after Restatement)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 105,322	\$ 173,749
Adjustments for:		
Depreciation expenses	139,678	115,472
Amortization expenses	13,810	8,276
Expected credit loss	2,138	95
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(2,913)	(1,835)
Finance costs	21,693	11,558
Interest income	(457)	(2,004)
Share of loss of associates	606	-
Loss (gain) on disposal of property, plant and equipment	9	(844)
Loss on disposal of other intangible assets	100	-
Allowance for inventory valuation and obsolescence loss	2,691	(245)
Unrealized loss on foreign currency exchange	554	699
Changes in operating assets and liabilities		
Trade receivables	16,994	23,413
Trade receivables from related parties	12,307	(10,406)
Inventories	24,531	(33,366)
Other current assets	(113,472)	(6,932)
Notes payable	(8,845)	(399)
Trade payables	(56,167)	(447)
Trade payables to related parties	(4,404)	(5,835)
Other payables	15,202	(12,837)
Other current liabilities	3,187	708
Net defined benefit liabilities	5,818	2,075
Cash generated from operations	178,382	260,895
Interest received	1,381	1,300
Interest paid	(21,261)	(10,192)
Income tax paid	(18,066)	(31,496)
Net cash generated from operating activities	<u>140,436</u>	<u>220,507</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(90,052)	(59,734)
Proceeds of due of financial assets at amortized cost	63,753	58,988
Acquisition of long-term investments accounted for using the equity method	(1,751)	-
Acquisition of associates	-	(171,213)
Payments for property, plant and equipment	(152,670)	(328,740)
Proceeds from disposal of property, plant and equipment	5,040	1,038
Increase in refundable deposits	(74)	(251)
Purchase of other intangible assets	(4,002)	(4,821)

(Continued)

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018 (Audited after Restatement)
Increase in prepayments for land and equipment	<u>(123,844)</u>	<u>(74,642)</u>
Net cash used in investing activities	<u>\$ (303,600)</u>	<u>\$ (579,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	309,734	197,592
Proceeds from issuance of convertible bonds	200,000	-
Proceeds from long-term borrowings	124,185	160,304
Repayments of long-term borrowings	(133,440)	(62,513)
Refunds of guarantee deposits received	1	1
Decrease in finance lease receivables	-	(696)
Repayment of the principal portion of lease liabilities	(19,955)	-
Dividends paid to owners of the Company	(102,608)	(124,452)
Issuance of ordinary shares for cash	200,000	-
Increase in non-controlling interests	<u>1,221</u>	<u>21,553</u>
Net cash generated from financing activities	<u>579,138</u>	<u>191,789</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(12,127)</u>	<u>259</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	403,847	(166,820)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>143,030</u>	<u>309,850</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 546,877</u>	<u>\$ 143,030</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

JPP Holding Company Limited (the “Company”) was incorporated in Cayman Islands on June 10, 2012, and was set up for the purpose of organizational restructuring. The Company completed organizational restructuring on June 10, 2013, and after restructuring, the Company became the ultimate parent company of the whole group.

The Company was listed on the mainboard of the Taipei Exchange in October 2014, and transferred listing to the Taiwan Stock Exchange (“TWSE”) on March 9, 2017.

The functional currency of the Company is the Thai Baht. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 24, 2020.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and the entities controlled by the Company (collectively, the “Group”):

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lease's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, their carrying amount as if IFRS 16 had been applied since the commencement date. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.25%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 42,898
Undiscounted amounts on January 1, 2019	<u>\$ 42,898</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 39,464
Add: Finance lease liabilities on December 31, 2018	<u>146</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 39,610</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Right-of-use assets	\$ -	\$ 39,610	\$ 39,610
Total effect on assets	\$ -	\$ 39,610	\$ 39,610
Lease liabilities - current	\$ -	\$ 3,969	\$ 3,969
Lease liabilities - non-current	-	35,641	35,641
Total effect on liabilities	\$ -	\$ 39,610	\$ 39,610

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

- b. The IFRSs endorsed by the FSC for applicants starting from 2020.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or

after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries, associates, joint ventures or branch operations in other countries or subsidiaries which use currencies that are different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of Company and non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

g. Inventories

Inventories consist of finished goods, work-in-process, raw materials and inventories in transit, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group

discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

i. Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of

the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

3) Intangible assets acquired in business combinations

Intangible assets are acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date which is regarded as their cost. Subsequently to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs./For financial instruments and contract assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive

income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

Except for financial liabilities at FVTPL that are measured at fair value, all financial liabilities are measured at amortized cost using the effective interest method.

Fair value is determined in the manner described in Note 29.

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 3) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss.

## n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of precision sheet metal products and is recognized when the goods are delivered to the customer's specific location or when the goods are shipped. Revenue and trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

### 2) Rendering of services

Service income is recognized when services are provided.

## o. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee'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 the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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Leases are classified as finance lease whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

The minimum lease payments are allocated to financial expenses and for reduction of the lease liabilities in order for the interest rate calculated on the basis of the debt balance to be fixed. Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

p. Borrowing costs

The borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 746	\$ 880
Checking accounts and demand deposits	396,231	142,150
Cash equivalents (investments with original maturities of less than 3 months)	<u>149,900</u>	<u>-</u>
	<u>\$ 546,877</u>	<u>\$ 143,030</u>

The market rate intervals of cash in bank at the end of the reporting period are as follows:

	<u>December 31</u>	
	2019	2018
Demand deposits	0.03%-0.63%	0.03%-0.63%

#### 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2019	2018
<u>Financial liabilities held for trading - current</u>		
Derivative		
Second issuance of convertible bonds in Taiwan	<u>\$ 4,804</u>	<u>\$ -</u>

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2019	2018
<u>Non-current</u>		
Overseas unlisted ordinary shares	<u>\$ 15,551</u>	<u>\$ 10,029</u>

The Group acquired ordinary shares of overseas unlisted companies for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

#### 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 90,862</u>	<u>\$ 60,721</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.10% ~1.375% and 1.10%~1.25% per annum as of December 31, 2019 and 2018, respectively.
- b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

#### 10. TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 301,047	\$ 312,612
Less: Allowance for impairment loss	<u>(2,622)</u>	<u>(454)</u>
	<u>\$ 298,425</u>	<u>\$ 312,158</u>

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced. Due to historical experience, the Group recognized an allowance for impairment loss of 100% against all receivables aged over 180 days except for the receivables recovered before the issuance of the consolidated financial statements. The Group reviews the trading records and analyzes the financial status to estimate the unrecoverable debts for the customers' overdue receivables which are less than 180 days overdue excluding those received before the issuance of the consolidated financial statements.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	<b>Not Past Due</b>	<b>Up to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.00%	0.00%	56.13%	0.00%	52.25%	
Gross carrying amount	\$258,872	\$ 14,061	\$ 24,068	\$ 287	\$ 3,759	\$301,047
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(130)</u>	<u>-</u>	<u>(2,492)</u>	<u>(2,622)</u>

Amortized cost	<u>\$258,872</u>	<u>\$ 14,061</u>	<u>\$ 23,938</u>	<u>\$ 287</u>	<u>\$ 1,267</u>	<u>\$298,425</u>
<u>December 31, 2018</u>						
	<b>Not Past Due</b>	<b>Up to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.00%	0.00%	0.26%	13.68%	0.00%	
Gross carrying amount	\$261,129	\$ 16,726	\$ 31,794	\$ 2,704	\$ 259	\$312,612
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(84)</u>	<u>(370)</u>	<u>-</u>	<u>(454)</u>
Amortized cost	<u>\$261,129</u>	<u>\$ 16,726</u>	<u>\$ 31,710</u>	<u>\$ 2,334</u>	<u>\$ 259</u>	<u>\$312,158</u>

The movements of the allowance for doubtful trade receivables are as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 454	\$ 344
Add: Net remeasurement of loss allowance	2,138	95
Foreign exchange gains and losses	<u>30</u>	<u>15</u>
Balance at December 31	<u>\$ 2,622</u>	<u>\$ 454</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Finished goods	\$ 52,707	\$ 67,719
Work in process	96,766	86,676
Raw materials	115,675	121,377
Inventories in transit	<u>1,589</u>	<u>1,941</u>
	<u>\$ 266,737</u>	<u>\$ 277,713</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$991,453 thousand and \$805,152 thousand, respectively.

The cost of goods sold for the year ended December 31, 2019 included inventory write-downs of \$2,691 thousand.

The cost of goods sold for the year ended December 31, 2018 included reversals of inventory write-downs of \$245 thousand which were due to the sale of aged inventories.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
The Company	Jinpao Precision Industry Co., Ltd. (Jinpao)	Material parts design and manufacturing	99.99	99.99	a, b and c
Jinpao	Jinpao Precision Japan Co., Ltd. (Jinpao Japan)	Processed metal products development and trading	80.00	80.00	a, b and c
Jinpao	Jinpao Europe SAS (Jinpao Europe)	Metal parts manufacturing and milling	76.00	76.00	a, b and c
Jinpao Europe SAS	Atelier de decolletage de Bigorre (ADB)	Metal parts manufacturing and milling	100.00	100.00	a, b and c
Jinpao Europe SAS	SAS LUTEC (LUTEC)	Metal parts manufacturing and milling	100.00	100.00	a, b and c

Remarks:

- The financial statements of the subsidiaries for the years ended December 31, 2019 and 2018 have been audited.
- The financial statements of the Group and Jinpao were prepared on the basis of their functional currency, the Thai Baht. The financial statements of Jinpao Japan were prepared on the basis of its functional currency, the Japanese Yen. The financial statements of Jinpao Europe, ADB and LUTEC were prepared on the basis of their functional currency, the Euro. In the preparation of the consolidated financial statements, the account items were translated into the presentation currency, the New Taiwan dollar, as follows: all balance sheet accounts were translated at their respective functional currencies at the balance sheet dates, equity accounts were translated based on the historical exchange rates, and all income statement accounts were translated at the average exchange rates for the periods. Exchange differences on translation of foreign currencies are recognized as other comprehensive income and classified within the shareholders' equity section. The spot exchange rates of THB to NT\$ on December 31, 2019 and 2018 are THB1=NT\$1.0098 and THB1=NT\$0.9532, respectively. The average exchange rates of THB to NT\$ in 2019 and 2018 are THB1=NT\$ 1.0008 and THB1=NT\$0.9377, respectively.
- The Group setup Jinpao Europe on November 23, 2018 and acquired 76% of its shares. The Group also acquired 100% of the shares of ADB and LUTEC on December 21, 2018, refer to Note 27 for the relevant disclosures of the business combination.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2019
Associates that are not individually material	\$ <u>1,156</u>

**For the Year  
Ended  
December 31,  
2019**

The Group's share of:	
Net loss for the period	\$ (606)
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (606)</u>

The Group acquired 25% of the shares of Wefly Aero., Ltd ("Wefly") on August 16, 2019. Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of the associate.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 371,568	\$ 369,819	\$ 982,900	\$ 65,598	\$ 1,789,885
Additions	185,065	35,189	99,650	8,836	328,740
Acquired through business combinations	1,492	-	49,584	13,114	64,190
Disposals	-	-	(1,197)	(2,046)	(3,243)
Effect of foreign currency exchange differences	<u>17,475</u>	<u>14,930</u>	<u>39,761</u>	<u>2,658</u>	<u>74,824</u>
Balance at December 31, 2018	<u>\$ 575,600</u>	<u>\$ 419,938</u>	<u>\$ 1,170,698</u>	<u>\$ 88,160</u>	<u>\$ 2,254,396</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2018	\$ -	\$ 112,708	\$ 536,802	\$ 44,027	\$ 693,537
Disposals	-	-	(1,193)	(1,856)	(3,049)
Acquired through business combinations	-	-	37,749	10,620	48,369
Depreciation expense	-	19,646	87,372	8,454	115,472
Effect of foreign currency exchange differences	<u>-</u>	<u>4,698</u>	<u>24,914</u>	<u>1,818</u>	<u>31,430</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 137,052</u>	<u>\$ 685,644</u>	<u>\$ 63,063</u>	<u>\$ 885,759</u>
Carrying amount at December 31, 2018	<u>\$ 575,600</u>	<u>\$ 282,886</u>	<u>\$ 485,054</u>	<u>\$ 25,097</u>	<u>\$ 1,368,637</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 575,600	\$ 419,938	\$ 1,170,698	\$ 88,160	\$ 2,254,396
Additions	-	10,393	134,065	8,212	152,670
Disposals	-	(2,537)	(12,306)	(2,819)	(17,662)
Reclassification	-	(28,438)	28,438	-	-
Effect of foreign currency exchange differences	<u>32,598</u>	<u>24,750</u>	<u>80,031</u>	<u>(8,609)</u>	<u>128,770</u>
Balance at December 31, 2019	<u>\$ 608,198</u>	<u>\$ 424,106</u>	<u>\$ 1,400,926</u>	<u>\$ 84,944</u>	<u>\$ 2,518,174</u>

(Continued  
)

	Freehold Land	Building	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation and impairment					
Balance at January 1, 2019	\$ -	\$ 137,052	\$ 685,644	\$ 63,063	\$ 885,759
Disposals	-	(226)	(9,730)	(2,657)	(12,613)
Depreciation expense	-	20,955	101,551	8,759	131,265
Reclassification	-	(491)	491	-	-
Effect of foreign currency exchange differences	-	8,320	(45,068)	(7,451)	(45,937)
Balance at December 31, 2019	\$ -	\$ 165,610	\$ 823,024	\$ 61,714	\$ 1,050,348
Carrying amount at December 31, 2019	\$ 608,198	\$ 258,496	\$ 577,902	\$ 23,230	\$ 1,467,826 (Concluded)

Other than the recognition of depreciation expenses and the acquisition of land from non-related parties, the Group had no significant disposal of property, plant and equipment for the years ended December 31, 2019 and 2018. Furthermore, after assessment, there was no indication of impairment, hence, the Group did not perform any impairment test. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Freehold land	20 years
Buildings	5 years
Machinery and equipment	5-10 years
Other equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings was set out in Note 31.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Buildings	<u>\$ 61,961</u>
	<b>For the Year Ended December 31, 2019</b>
Depreciation change for right-of-use assets	
Buildings	<u>\$ 8,413</u>

### b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 13,495</u>
Non-current	<u>\$ 35,933</u>

Range of discount rate for lease liabilities was as follows:

**December 31,  
2019**

Buildings	1.75%-3.25%
-----------	-------------

c. Material lease-in activities and terms

The Group leases buildings for the use of plants and offices with lease terms of 5 to 10 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to low-value asset leases	<u>\$ 2,370</u>
Total cash outflow for leases	<u>\$ 19,955</u>

The Group leases certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

**December 31,  
2018**

Minimum lease payments

Not later than 1 year	\$ 148
Later than 1 year and not later than 5 years	<u>-</u>
	148
Less: Future finance charges	<u>2</u>
Present value of minimum lease payments	<u>\$ 146</u>

Present value of minimum lease payments

Not later than 1 year	\$ 146
Later than 1 year and not later than 5 years	<u>-</u>
	<u>\$ 146</u>

The Group leased certain of its manufacturing equipment and vehicles under finance leases. The average lease term was 3-5 years. At the end of the lease term, the Group would obtain ownership of the

machines and other equipment for free.

Interest rates underlying all obligations under finance leases were fixed at their respective contract dates, and ranges from 2.55% to 3.95% per annum on December 31, 2018.

## 16. GOODWILL

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u> <u>(Audited after</u> <u>Restatement)</u>
<u>Cost</u>		
Balance at January 1	\$ 55,608	\$ -
Additional amounts recognized from business combinations occurring during the year (Note 27)	-	55,608
Effect of foreign currency exchange differences	<u>(2,121)</u>	<u>-</u>
Balance at December 31	<u>\$ 53,487</u>	<u>\$ 55,608</u>

The Group acquired ADB and LUTEC on December 21, 2018 and recognized goodwill of \$55,608 thousand, which was mainly related to the expected benefits from expansion of the business territory, improvements in aerospace engineering technologies and potential sales growth in the Europe market.

It was indicated in a valuation report received in the current year that the fair values of the goodwill, other intangible assets, and net defined benefit liabilities of ADB and LUTEC at the date of acquisition were \$55,608 thousand, \$63,075 thousand, and \$4,801 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed at the acquisition date.

Items on the consolidated balance sheets adjusted by the following amounts:

	<u>December 31,</u> <u>2018</u>	<u>Acquisition</u> <u>Date</u>
Goodwill adjustments	\$ <u>55,608</u>	\$ <u>111,885</u>
Other intangible assets	\$ <u>63,075</u>	\$ <u>-</u>
Other non-current assets	\$ <u>(1,997)</u>	\$ <u>-</u>
Net defined benefit liabilities	\$ <u>4,801</u>	\$ <u>-</u>

## 17. OTHER INTANGIBLE ASSETS

	<u>Other</u> <u>Intangible</u> <u>Assets</u>	<u>Computer</u> <u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ -	\$ 84,313	\$ 84,313
Additions	-	4,821	4,821
Acquisition through business combinations	63,075	-	63,075
Effect of foreign currency exchange differences	<u>-</u>	<u>3,351</u>	<u>3,351</u>
Balance at December 31, 2018	<u>\$ 63,075</u>	<u>\$ 92,485</u>	<u>\$ 155,560</u>
	<b>Other</b>	<b>Computer</b>	

	<b>Intangible Assets</b>	<b>Software</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ -	\$ 27,578	\$ 27,578
Amortization expenses	-	8,276	8,276
Effect of foreign currency exchange differences	-	1,207	1,207
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 37,061</u>	<u>\$ 37,061</u>
Carrying amount at December 31, 2018	<u>\$ 63,075</u>	<u>\$ 55,424</u>	<u>\$ 118,499</u>

Cost

Balance at January 1, 2019	\$ 63,075	\$ 92,485	\$ 155,560
Additions	-	4,002	4,002
Disposals	-	(139)	(139)
Effect of foreign currency exchange differences	-	3,120	3,120
Balance at December 31, 2019	<u>\$ 63,075</u>	<u>\$ 99,468</u>	<u>\$ 162,543</u>

Accumulated amortization and impairment

Balance at January 1, 2019	\$ -	\$ 37,061	\$ 37,061
Amortization expenses	5,089	8,721	13,810
Disposals	-	(39)	(39)
Effect of foreign currency exchange differences	-	2,122	2,122
Balance at December 31, 2019	<u>\$ 5,089</u>	<u>\$ 47,865</u>	<u>\$ 52,954</u>
Carrying amount at December 31, 2019	<u>\$ 57,986</u>	<u>\$ 51,603</u>	<u>\$ 109,589</u>

As there was no indication of impairment after assessment for both the years ended December 31, 2019 and 2018, therefore, the Group did not perform any impairment test.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	10 years
Other intangible assets	12.3 years

**18. OTHER ASSETS**

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Prepaid expenses and others	<u>\$ 141,256</u>	<u>\$ 28,708</u>

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 256,521	\$ 131,548
Refundable deposits	971	897
Others	<u>3,874</u>	<u>5,003</u>
	<u>\$ 261,366</u>	<u>\$ 137,448</u>

## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings (Note 31)</u>		
Bank loans*	<u>\$ 509,464</u>	<u>\$ 199,730</u>

\* The range of weighted average effective interest rates on bank loans were 1.25%-2.97% and 2.69%-3.00% per annum as of December 31, 2019 and 2018, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings (Note 31)</u>		
Bank loans (1)	\$ 134,640	\$ 190,640
Bank loans (2)	-	116,605
Bank loans (3)	134,640	47,660
Bank loans (4)	100,103	-
Bank loans	2,575	3,608
Bank loans	<u>-</u>	<u>1,410</u>
	371,958	359,923
Less: Current portions	<u>169,676</u>	<u>126,075</u>
Long-term loans	<u>\$ 202,282</u>	<u>\$ 233,848</u>

1) As of December 31, 2019 and 2018, the annual weighted average effective interest rates of the bank borrowings secured by the Group's freehold land and buildings (see Note 31) were 2.9908% and 3.2540%, respectively. The loan is due on November 16, 2021.

2) As of December 31, 2019, the Group issued promissory notes as guarantee for the bank loan. The weighted average effective interest rate of the loan was 2.077% per annum. The loan is due on November 29, 2020. As stated in the contract, the current/debt ratios should not be lower/higher than 100% or the net value should not be lower than \$1,565,190 thousand. The loan was repaid in 2019.

3) As of December 31, 2019, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (see Note 31) were 3.4633% and 3.2537% per annum, respectively. The loan is due on November 23, 2021.

- 4) As of December 31, 2019, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (see Note 31) was 1.8% per annum. The loan is due on December 26, 2022.

## 20. BONDS PAYABLE

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Second issuance of unsecured domestic convertible bonds in Taiwan	<u>\$ 186,681</u>	<u>\$ -</u>

On November 28, 2019, the Group issued 2 thousand units of 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$200,000 thousand. The duration is 3 years.

Each bond entitles the holder to convert it into ordinary shares of the Group at a conversion price of \$54.6. In the case of ex-right or ex-dividend, the conversion price should be adjusted according to the adjustment formula.

Conversion may occur at any time between February 29, 2020 and November 28, 2022. If the bonds have not been converted and the closing price of the Group's ordinary shares exceeds 30% of the conversion price for at least 30 consecutive trading days consecutively or the value of the outstanding convertible bonds falls lower by 10% or more compared to the par value, they will be redeemed at face value during the period February 29, 2020 and October 19, 2022.

The convertible bondholders' repurchase date was 2 years after the issuance date (November 28, 2022). The Group is to send a copy of notice to each bondholder which informs them to perform their put-option rights. Bondholders may request the Group to repurchase the bonds at their face value plus interest (101.5075% of face value), and the Group should redeem the remaining bonds in cash within 5 trading days after the repurchase date. The convertible bonds were repaid in full on the maturity date.

The liability component includes embedded financial derivatives and non-financial derivatives. On December 31, 2019, the fair value of such embedded financial derivatives was \$4,804 thousand, the amount of liabilities of non-financial derivatives measured at amortized cost was \$186,681 thousand. The effective interest rate for both derivatives was 2.2256% per annum on initial recognition.

Issued price	\$200,000
Interest charged at an effective interest rate	(12,416)
Gain on valuation of financial assets	(2,913)
Effect of exchange rate changes	<u>6,814</u>
Liability component at December 31, 2019 (allocated separately to the bonds payable of \$186,681 thousand and financial assets at FVTPL - current of \$4,804 thousand)	<u>\$191,485</u>

## 21. OTHER LIABILITIES

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Other payables		
Payables for equipment	\$ 49,204	\$ 30,737
Others	<u>49,241</u>	<u>54,797</u>
	<u>\$ 98,445</u>	<u>\$ 85,534</u>

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The employees of the Company of the Group in Taiwan adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The defined benefit plans adopted by Jinpao of the Group in accordance with the Labor Protection Act is operated by the government of Thailand, which is a state-managed defined contribution plan. The defined benefit plans adopted by ADB and LUTEC of the Group in accordance with the Labor Standards Law is operated by the government, which is a state-managed defined contribution plan. Pension paid is calculated based on years of service and the salaries before the approved retirement date.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan are as follows:

	<u>December 31</u>	
	2019	2018 (Audited after Restatement)
Present value of defined benefit obligation	\$ 31,148	\$ 23,861
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 31,148</u>	<u>\$ 23,861</u>

Movements in net defined benefit assets are as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2018	\$ 18,969	\$ -	\$ 18,969
Service cost			
Current service cost	<u>2,075</u>	<u>-</u>	<u>2,075</u>
Recognized in profit or loss	<u>2,075</u>	<u>-</u>	<u>2,075</u>

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets (Liabilities)</b>
Remeasurement			
Actuarial loss - experience adjustments	<u>(2,709)</u>	<u>-</u>	<u>(2,709)</u>
Recognized in other comprehensive income	<u>(2,709)</u>	<u>-</u>	<u>(2,709)</u>
Business combinations	4,801	-	4,801
Others	<u>725</u>	<u>-</u>	<u>725</u>
Balance at December 31, 2018	<u>\$ 23,861</u>	<u>\$ -</u>	<u>\$ 23,861</u>
Balance at January 1, 2019	\$ 23,861	\$ -	\$ 23,861
Service cost			
Current service cost	<u>7,153</u>	<u>-</u>	<u>7,153</u>
Net interest expense			
Recognized in profit or loss	<u>7,153</u>	<u>-</u>	<u>7,153</u>
Benefits paid	<u>(1,059)</u>	<u>-</u>	<u>(1,059)</u>
Others	<u>1,193</u>	<u>-</u>	<u>1,193</u>
Balance at December 31, 2019	<u>\$ 31,148</u>	<u>\$ -</u>	<u>\$ 31,148</u>

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	1.76%-3.94%	1.76%-3.94%
Expected rates of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease or increase as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates		
1%/0.25% increase	<u>\$ (2,458)</u>	<u>\$ (1,721)</u>
1%/0.25% decrease	<u>\$ 2,847</u>	<u>\$ 1,994</u>
Expected rates of salary increase		
1%/0.25% increase	<u>\$ 3,019</u>	<u>\$ 1,931</u>
1%/0.25% decrease	<u>\$ (2,647)</u>	<u>\$ (1,704)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ -</u>

Average duration of the defined benefit obligation	13 years	14 years
----------------------------------------------------	----------	----------

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Numbers of shares authorized (in thousands)	<u>60,000</u>	<u>60,000</u>
Value of shares authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Number of shares issued and fully paid (in thousands)	<u>43,664</u>	<u>39,464</u>
Value of shares issued	<u>\$ 436,646</u>	<u>\$ 394,646</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and a right to dividends.

As of December 31, 2018, the first issuance of unsecured domestic convertible bonds in Taiwan have converted to 573 thousand ordinary shares. The number of ordinary shares issued after the conversion was 39,464 thousand, and the value of shares issued was \$394,646 thousand.

In 2019, the Company resolved to issue 4,200 thousand ordinary shares with a parvalue of NT\$ 10, for a consideration of NT\$ 47 per share, with the total amount of \$200,000 thousand; which increased the share capital issued to 43,664 shares and fully paid to \$436,646 thousand. On November 6, 2019, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 23, 2019.

### b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Premium from issuance of ordinary shares	<u>\$ 933,720</u>	<u>\$ 775,720</u>

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and only once a year).

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 24(g).

The Group's operations are highly specialized with customized products, and is in the growth stage. The board of directors of the Group proposes the distribution plan based on previous years' retained earnings, overall growth, financial planning, capital needs, industry outlook and future development plans, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. When distributing dividends, the Group should first (i) pay the reserved amount for the yearly tax payment; (ii) offset losses of previous years; (iii) set aside as a legal reserve 10% of the remaining profit (legal reserve); and (iv) set aside as special reserve required by Taiwan Stock Exchange by the rules governing the special reserve of public companies. In accordance with the Company Law of the Cayman Islands and rules of public companies, where the Group made a profit in a fiscal year, the Group may combine all or parts of the accumulated undistributed retained earnings after considering the financial, operational and administrative factors, the board should advise the shareholders that no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless the undistributed retained earnings is less than 20% of the outstanding ordinary shares. The dividends can be distributed in shares or cash, but the cash dividends should not be less than 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 25, 2019 and June 26, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 14,652	\$ 20,456		
Cash dividends	102,608	124,452	\$ 2.60	\$ 3.20 (Note)

Note: The Company converted the convertible bonds to ordinary shares, which affected the number of outstanding ordinary shares. The shareholders resolved on June 26, 2018 the authorization of the chairman of the board to adjust the shareholders' dividend yield. The adjusted dividend per share was NT\$3.17.

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 24, 2020. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 9,140	
Cash dividends	82,963	\$1.9

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholder meeting to be held on June 23, 2020.

## 24. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income		
Operating lease contingent rental income	\$ 109	\$ 30
Interest income		
Bank deposits	457	2,004
Others	<u>4,015</u>	<u>1,908</u>
	<u>\$ 4,581</u>	<u>\$ 3,942</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net foreign exchange gain (loss)	\$ (15,514)	\$ 2,647
Net gain arising on financial assets and liabilities at fair value through profit or loss	2,913	1,835
Gain (loss) n disposal of property, plant and equipment	<u>(9)</u>	<u>844</u>
	<u>\$ (12,610)</u>	<u>\$ 5,326</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 18,970	\$ 10,750
Interest on convertible bonds	365	793
Interest on lease liabilities	2,358	-
Interest on obligations under finance lease	<u>-</u>	<u>15</u>
	<u>\$ 21,693</u>	<u>\$ 11,558</u>

### d. Impairment losses reversed on financial assets

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables	<u>\$ 2,138</u>	<u>\$ 95</u>

### e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 131,265	\$ 115,472
Right-of-use assets	8,413	-
Other intangible assets	<u>13,810</u>	<u>8,276</u>
	<u>\$ 153,488</u>	<u>\$ 123,748</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 121,478	\$ 106,062
Operating expenses	<u>18,200</u>	<u>9,410</u>
	<u>\$ 139,678</u>	<u>\$ 115,472</u>
An analysis of amortization by function		
Operating costs	\$ 5,412	\$ 302
Operating expenses	<u>8,398</u>	<u>7,974</u>
	<u>\$ 13,810</u>	<u>\$ 8,276</u>

f. Employee benefits expense

<b>Function</b>	<b>2019</b>			<b>2018</b>		
	<b>Operating Costs</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expense</b>	<b>Total</b>
<b>Properties</b>						
Salary expense	\$286,998	\$138,424	\$425,422	\$214,123	\$100,403	\$314,526
Insurance expense	-	567	567	-	347	347
Pension expense						
Defined contribution plans	94,033	31,631	125,664	-	162	162
Defined benefit plans	-	7,153	7,153	-	2,075	2,075
Remuneration of directors and supervisors	-	-	-	-	1,960	1,960
Other employee benefits	<u>2,359</u>	<u>23,391</u>	<u>25,750</u>	<u>241</u>	<u>18,767</u>	<u>19,008</u>
Total employee benefits expense	<u>\$383,390</u>	<u>\$201,166</u>	<u>\$584,556</u>	<u>\$214,364</u>	<u>\$123,714</u>	<u>\$338,078</u>

As of December 31, 2019 and 2018, the Group had 1,240 and 1,218 employees, respectively, including 2 directors not concurrently serving as employees for both years, its calculation basis is the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at rates between 0.1% and 10%, and accrued remuneration of directors and supervisors at rates no higher than 2% of the net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 24, 2020 and March 26, 2019, respectively, are as follows:

Amount

<b>For the Year Ended December 31</b>	
<b>2019</b>	<b>2018</b>

Employees' compensation	\$ 240	\$ 240
Remuneration of directors and supervisors	1,200	1,200

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 32,880	\$ 32,760
Foreign exchange losses	<u>(48,394)</u>	<u>(30,113)</u>
Net foreign exchange gains (losses)	<u>\$ (15,514)</u>	<u>\$ 2,647</u>

## 25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 10,571	\$ 19,853
Deferred tax		
In respect of the current year	<u>4,073</u>	<u>7,427</u>
Income tax expense recognized in profit or loss	<u>\$ 14,644</u>	<u>\$ 27,280</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax from continuing operations	<u>\$ 105,322</u>	<u>\$ 173,749</u>
Income tax expense calculated at the statutory rate	\$ 25,952	\$ 37,143
Tax-exempt income	(2,339)	(1,275)
Deferred tax effect of earnings of subsidiaries	(13,014)	(15,931)
Unrecognized deductible temporary differences	<u>4,045</u>	<u>7,343</u>
Income tax expense recognized in profit or loss	<u>\$ 14,644</u>	<u>\$ 27,280</u>

The Company was established in the British Cayman Islands and is exempt from paying income tax.

The applicable tax rate used by Jinpao Precision Industry Co., Ltd. in Thailand was 20%. The

applicable tax rate used by Jinpao Japan, Jinpao Europe, ADB and LUTEC is operated by the government.

b. Current tax liabilities

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax liabilities		
Income tax payable	\$ 49	\$ 4,893

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensi ve Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for inventory valuation loss	\$ 2,389	\$ (193)	\$ -	\$ 141	\$ 2,337
Allowance for doubtful accounts	46	114	-	3	163
Defined benefit plans	<u>1,919</u>	<u>51</u>	<u>-</u>	<u>113</u>	<u>2,083</u>
	<u>\$ 4,354</u>	<u>\$ (28)</u>	<u>\$ -</u>	<u>\$ 257</u>	<u>\$ 4,583</u>

Deferred tax liabilities

Temporary differences					
Retaining earning of subsidiaries	<u>\$37,372</u>	<u>\$ 4,045</u>	<u>\$ (5,083)</u>	<u>\$ 2,210</u>	<u>\$38,544</u>

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensi ve Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					

Temporary differences					
Allowance for inventory valuation loss	\$ 2,326	\$ (27)	\$ -	\$ 90	\$ 2,389
Allowance for doubtful accounts	35	10	-	1	46
Defined benefit plans	<u>1,912</u>	<u>(66)</u>	<u>-</u>	<u>73</u>	<u>1,919</u>
	<u>\$ 4,273</u>	<u>\$ (83)</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 4,354</u>

Deferred tax liabilities

Temporary differences					
Retaining earning of subsidiaries	<u>\$31,242</u>	<u>\$ 7,344</u>	<u>\$ -</u>	<u>\$(1,214)</u>	<u>\$37,372</u>

e. Tax Exemption Information

Jinpao has been granted rights and privileges for the production of metal stamping, metal pieces and aircraft conversion under the Investment Promotion Act of B.E. 2520 (1977), summarized as follows:

1) The preferential measures granted under Certificate Number 1050(1)/2555 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.
- Exemption from corporate income tax for the period of 8 years from the telecommunication income is first derived from the promoted activities which were on November 15, 2012.
- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.
- Reduction from corporate income tax at 50% of normal rate for the period of 5 years after that period of 8 years from the date of the Company receiving the respective revenues.

2) The preferential measures granted under Certificate Number 1218(1)/2555 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.
- Exemption from corporate income tax for the period of 8 years from the aircraft conversion income is first derived from the promoted activities which were on January 4, 2013.
- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.
- Reduction from corporate income tax at 50% of normal rate for the period of 5 years after that period of 8 years from the date of the Company receiving the respective revenues.

3) The preferential measures granted under Certificate Number 61-0665-1-04-1-0 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.
- Exemption from corporate income tax for the period of 3 years from the income is first derived from the promotion certificate which were on October 1, 2018. The deduction limit amount is 50% of the investment amount, excluding land price and working capital.
- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.

Jinpao has met the requirements stipulated by the Board of Investment.

The Company is exempt from paying tax since it was incorporated in the Cayman Islands. The corporate income tax of Jinpao, Jinpao Japan, ADB and LUTEC of the group through 2018 has been assessed by the tax authorities. The corporate income tax of Jinpao Japan through 2018 has been assessed by tax authorities.

## 26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit for the year attributable to owners of the Company	\$ 91,402	\$ 146,518
Effect of potentially dilutive ordinary shares - convertible bonds	<u>          -</u>	<u>      (986)</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 91,402</u>	<u>\$ 145,532</u>

Weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	39,568	39,196
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	228
Employees' compensation	<u>        6</u>	<u>        6</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>39,574</u>	<u>39,430</u>

If the Group offered to settle the compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following

year.

If the outstanding convertible bonds issued by the Company are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted earnings per share.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
ADB	Metal parts manufacturing and milling	December 21, 2018	100	\$ 151,770
LUTEC	Metal parts manufacturing and milling	December 21, 2018	100	\$ 52,943

ADB and LUTEC were acquired on December 21, 2018 in order to expand the Group's operating scale, enhance aerospace engineering technologies and for tapping into the Europe market.

### b. Consideration transferred

	ADB	LUTEC
Cash	\$ 151,770	\$ 52,943

### c. Assets acquired and liabilities assumed at the date of acquisition

	ADB	LUTEC
Current assets		
Cash	\$ 26,540	\$ 6,960
Trade receivables	26,915	10,075
Inventories	29,119	6,568
Other current assets	3,985	2,365
Non-current assets		
Equipment	13,616	2,205
Other intangible assets	44,035	19,040
Other non-current assets	620	872
Current liabilities		
Short-term borrowings	(2,138)	-
Trade payables	(13,269)	(5,556)
Other current liabilities	(8,318)	(3,501)
Non-current liabilities		
Long-term borrowings	(4,817)	(1,410)
Net defined benefit liabilities	<u>(3,329)</u>	<u>(1,472)</u>
	<u>\$ 112,959</u>	<u>\$ 36,146</u>

### d. Goodwill recognized on acquisitions

	<b>ADB</b>	<b>LUTEC</b>
Consideration transferred	\$ 151,770	\$ 52,943
Less: Fair value of identifiable net assets acquired	<u>(112,959)</u>	<u>(36,146)</u>
Goodwill recognized on acquisitions	<u>\$ 38,811</u>	<u>\$ 16,797</u>

The goodwill recognized on the acquisitions of ADB and LUTEC mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of ADB and LUTEC.

The total amount of acquired goodwill is not tax-deductible.

e. Net cash outflow on the acquisition of subsidiaries

	<b>ADB</b>	<b>LUTEC</b>
Consideration paid in cash	\$ 151,770	\$ 52,943
Less: Cash and cash equivalent balances acquired	<u>(26,540)</u>	<u>(6,960)</u>
	<u>\$ 125,230</u>	<u>\$ 45,983</u>

f. Impact of acquisitions on the results of the Group

Since the acquisition date, the results of the acquirees included in the consolidated statements of comprehensive income are as follows:

	<b>ADB</b>	<b>LUTEC</b>
Revenue	\$ _____ -	\$ _____ -
Profit	\$ _____ -	\$ _____ -

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$1,384,242 thousand, and the profit from continuing operations would have been \$152,466 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Group review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 186,681	\$ 200,980	\$ -	\$ -	\$ 200,980

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Investments in equity instruments at FVTOCI				
Overseas unlisted ordinary shares	\$ -	\$ -	\$ 15,551	\$ 15,551

December 31, 2018

	Level 1	Level 2	Level 3	Total
Investments in equity instruments at FVTOCI				
Overseas unlisted ordinary shares	\$ -	\$ -	\$ 10,029	\$ 10,029

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - redemption, repurchase, and conversion rights of convertible bonds.	The valuation of convertible bonds is based on a binary tree valuation model, the inputs include fluctuation of conversion price, risk free interest rate, discount rate, and liquidity risk.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of overseas unlisted equity investments was determined using the market approach.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Financial assets at FVTOCI	\$ 15,551	\$ 10,029
Financial assets at amortized cost (1)	936,164	515,909
<u>Financial liabilities</u>		

Financial liabilities at FVTPL	4,804	-
Financial liabilities at amortized cost (2)	1,281,411	820,797

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash, financial assets at amortized cost, trade receivables, and trade receivables from related parties
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade and other payables, trade payables to related parties, finance lease payables - current, current portion of long-term borrowings, bonds payable and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, finance lease payables, bonds payable, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The objective of the Group's foreign currency risk management is the trading of financial instruments for hedging purposes rather than for speculation.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to fluctuations in the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the Thai Baht (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign exchange denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the Thai Baht strengthening 5% against the relevant currency. For a 5% weakening of the Thai Baht against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

<b>USD impact</b>	
<b>For the Year Ended December 31</b>	
<b>2019</b>	<b>2018</b>

Profit or loss \$ 28,307\* \$ 6,074\*

\* This was mainly attributable to the exposure outstanding on USD receivables and payables which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period are as follows:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 240,762	\$ 60,721
Financial liabilities	745,573	199,876
Cash flow interest rate risk		
Financial assets	396,231	142,150
Financial liabilities	371,958	359,923

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would (decrease)/increase by \$243 thousand and \$(2,178) thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or factored trade receivables and insurance, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up

action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group's concentration of credit risk of 30% and 22% of total trade receivables as of December 31, 2019 and 2018, respectively, was due to the Group's five largest customers.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group is creditworthy and maintains good relationships with financial institutions. Therefore, the Group has no issues when applying for financing facilities from financial institutions.

#### a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 37,423	\$ 102,011	\$ 54,483	\$ 19,391	\$ -
Variable interest rate liabilities	-	-	141,714	137,215	-
Fixed interest rate liabilities	-	84,155	187,823	-	-
	<u>\$ 37,423</u>	<u>\$ 186,166</u>	<u>\$ 384,020</u>	<u>\$ 156,606</u>	<u>\$ -</u>

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					

Non-interest bearing liabilities	\$ 92,889	\$ 125,596	\$ 42,513	\$ -	\$ -
Finance lease liabilities	42	63	43	-	-
Variable interest rate liabilities	-	-	131,093	228,830	-
Fixed interest rate liabilities	-	<u>12,903</u>	<u>186,827</u>	-	-
	<u>\$ 92,931</u>	<u>\$ 138,562</u>	<u>\$ 360,476</u>	<u>\$ 228,830</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 876,791	\$ 554,628
Amount unused	<u>674,997</u>	<u>470,881</u>
	<u>\$ 1,551,788</u>	<u>\$ 1,025,509</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Hoo Thai Industrial Co., Ltd. (Hoo Thai)	Related party with the same board
Chin I Metal Co., Ltd. (Chin I)	Related party with the same board
Hong Yang Thailand Co., Ltd. (Hong Yang)	Related party with the same board

b. Sales of goods

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Related party with the same board	<u>\$ 10,000</u>	<u>\$ 34,170</u>

The prices of goods sold to related parties were made with reference to the market prices and based on the contracts.

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Related party with the same board	<u>\$ 12,778</u>	<u>\$ 36,251</u>

Purchases prices were based on markup of cost and calculated after consideration of the market prices.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	For the Year Ended December 31	
		2019	2018
Accounts receivable	Related party with the same board		
	Hoo Thai	\$ 1,700	\$ 12,740
	Chin I	<u>63</u>	<u>646</u>
		<u>\$ 1,763</u>	<u>\$ 13,386</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31	
		2019	2018
Accounts payable	Related party with the same board		
	Hoo Thai	\$ 3,348	\$ 7,732
	Chin I	79	97
	Hong Yang	<u>-</u>	<u>2</u>
		<u>\$ 3,427</u>	<u>\$ 7,831</u>

The outstanding trade payables to related parties are unsecured and will be settled in cash.

f. Acquisition of property, plant, and equipment

	For the Year Ended December 31	
	2019	2018
Related party with the same board		
Hoo Thai	<u>\$ 85</u>	<u>\$ -</u>

g. Disposals of property, plant and equipment

Related party with the same board Hoo Thai	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ -</u>

h. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2019	2018
Operating costs - rental and other expenses	Related party with the same board	<u>\$ 2,822</u>	<u>\$ 2,635</u>

Miscellaneous revenue	Related party with the same board	\$ 336	\$ 26
Other receivables (classified under other current assets)	Related party with the same board	\$ -	\$ 2
		<b>For the Year Ended December 31</b>	
<b>Line Item</b>	<b>Related Party Category</b>	<b>2019</b>	<b>2018</b>
Other payables	Related party with the same board	\$ 238	\$ 226

Rental amounts of rental agreements with related parties were made with reference to the market prices and based on general payment terms.

Miscellaneous revenue and operating expenses from transactions with related were based on mutual agreement from both parties

i. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2019 and 2018 are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 8,081	\$ 7,626
Post-employment benefits	<u>95</u>	<u>89</u>
	<u>\$ 8,176</u>	<u>\$ 7,715</u>

The remuneration of directors and key executives was determined based on the performance of individuals and market trends.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for banks and courts of law:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Pledged deposits (classified as financial assets at amortized cost)	\$ 90,862	\$ 60,721
Property, plant and equipment - net amount	<u>670,401</u>	<u>459,391</u>
	<u>\$ 761,263</u>	<u>\$ 520,112</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of Jinpao as of December 31, 2019 are as follows:

As of December 31, 2019 and 2018, the unpaid amounts from Jinpao's purchase of land, construction of new factories and purchase of equipment but whose contracts have been signed were \$99,010 thousand and \$162,256 thousand, respectively.

### 33. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN

## CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,838	29.9767 (USD:THB)	\$ 570,251
EUR	535	33.3775 (EUR:THB)	<u>18,035</u>
			<u>\$ 588,286</u>
<u>Financial liabilities</u>			
Monetary items			
USD	136	29.9767 (USD:THB)	\$ 4,116
EUR	48	33.3775 (EUR:THB)	<u>1,631</u>
			<u>\$ 5,747</u>

December 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,788	32.2848 (USD:THB)	\$ 147,349
EUR	382	36.7620 (EUR:THB)	<u>13,396</u>
			<u>\$ 160,745</u>
<u>Financial liabilities</u>			
Monetary items			
USD	841	32.2848 (USD:THB)	\$ 25,878
EUR	44	36.7620 (EUR:THB)	<u>1,550</u>
			<u>\$ 27,428</u>

The Group is mainly exposed to the USD and EUR. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between the respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

<b>Foreign Currency</b>	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>

THB	1.0008 (THB:NTD)	<u>\$ (15,514)</u>	0.9377 (THB:NTD)	<u>\$ 2,647</u>
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### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 6)

b. Information on investments in mainland China (None)

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" are as follows:

a. Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	<b>Total</b>
<u>For the year ended December 31, 2019</u>	
Revenue from external customers	\$ 1,437,581
Inter-segment revenue	<u>-</u>

	<b>Total</b>
Segment revenue	1,437,581
Eliminations	<u>-</u>
Consolidated revenue	<u>\$ 1,437,581</u>
Segment income	<u>\$ 135,650</u>
Non-operating income and expense	<u>(30,328)</u>
Income before income tax from continuing operations	<u>\$ 105,322</u>

For the year ended December 31, 2018

Revenue from external customers	\$ 1,217,575
Inter-segment revenue	<u>-</u>
Segment revenue	1,217,575
Eliminations	<u>-</u>
Consolidated revenue	<u>\$ 1,217,575</u>
Segment income	\$ 176,039
Non-operating income and expense	<u>(2,290)</u>
Income before income tax from continuing operations	<u>\$ 173,749</u>

Segment profit represents the profit before tax earned by each segment without allocation of interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's valuation of assets and liabilities was not provided to the chief operating decision maker.

c. Other segment information

For the year ended December 31, 2019

	<b>Molding and Metal Parts Department</b>
Depreciation and Amortization	<u>\$ 153,488</u>

For the year ended December 31, 2018

	<b>Molding and Metal Parts Department</b>
Depreciation and Amortization	<u>\$ 123,748</u>

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

<b>For the Year Ended December 31</b>	
<b>2019</b>	<b>2018</b>

Founding mold and metal parts	<u>\$ 1,437,581</u>	<u>\$ 1,217,575</u>
e. Geographical information		

The Group operates in the principal geographical areas – Thailand and France. The Group’s revenue from continuing operations from external customers by location of operations and information are detailed in a) segment revenue and results.

f. Information about major customers

Included in revenue arising from the molding and metal parts department of \$1,437,581 thousand and \$1,217,575 thousand in 2019 and 2018, respectively, is revenue of approximately \$197,019 thousand and \$167,104 thousand, which arose from sales to the Group’s largest customer. Single customers contributing 10% or more to the Group’s revenue were as follows:

<b>For the Year Ended December 31</b>	
<b>2019</b>	<b>2018</b>

Customer A	\$ 197,019	\$ 167,104
Customer B	159,308	125,146

**TABLE 1****JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	JPP Holding Company Limited	Jinpao Europe	Other receivables - related party	Yes	\$ 114,596 (THB 3,400)	\$ 114,596 (THB 3,400)	\$ 114,596 (THB 3,400)	Note 3	Short-term financing needs	\$ -	Funding needs for short-term investments	\$ -	None	\$ -	\$ 375,683 (20% of fair value of JPP Holding Company Limited)	\$ 751,367 (40% of fair value of JPP Holding Company Limited)	Note 2
0	JPP Holding Company Limited	Jinpao Europe	Other receivables - related party	Yes	121,337 (EUR 3,600)	121,337 (EUR 3,600)	100,103 (EUR 2,970)	Note 4	Short-term financing needs	-	Funding needs for short-term investments	-	None	-	375,683 (20% of fair value of JPP Holding Company Limited)	751,367 (40% of fair value of JPP Holding Company Limited)	Note 2
1	Jinpao	Jinpao Europe	Other receivables - related party	Yes	119,309 (EUR 3,400)	- (EUR -)	- (EUR -)	Note 5	Funding needs for redemption of convertible bonds	-	Funding needs for short-term investments	-	None	-	338,847 (20% of fair value of Jinpao)	677,694 (40% of fair value of Jinpao)	
2	ADB	LUTECH	Other receivables - related party	Yes	3,370 (EUR 100)	3,370 (EUR 100)	3,033 (EUR 90)	Note 5	Short-term financing needs	-	Funding needs for short-term investments	-	None	-	11,969 (20% of fair value of ADB)	23,938 (40% of fair value of ADB)	Note 2
2	ADB	LUTECH	Other receivables - related party	Yes	3,370 (EUR 100)	3,370 (EUR 100)	3,033 (EUR 90)	Note 5	Short-term financing needs	-	Funding needs for short-term investments	-	None	-	11,969 (20% of fair value of ADB)	23,938 (40% of fair value of ADB)	

Note 1: The financing facilities are approved by the board of directors of the Company and converted at the exchange rate on the balance sheet date.

Note 2: The transactions of the related parties have been eliminated in consolidated financial statements as of and for the year ended December 31, 2019.

Note 3: The annual interest rate for other receivables of funding is based on EUR LIBOR 3M plus 1.50%.

Note 4: The annual interest rate for other receivables of funding is based on EUR LIBOR 3M plus 1.95%.

Note 5: The annual interest rate for other receivables of funding is based on EUR LIBOR 3M / 6M plus 1.75%.

**JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note)	Outstanding Endorsement/ Guarantee at the End of the Period (Note)	Actual Amount Borrowed (Note)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	JPP Holding Company Limited	Jinpao	2	\$ 339,039 (20% of FV of Jinpao)	\$ 114,596 (EUR 3,400)	\$ - (EUR -)	\$ - (EUR -)	\$ -	0.00%	\$ 939,209 (50% of FV of JPP)	Y	N	-	
1	Jinpao	JPP Holding Company Limited	3	375,683 (20% of FV of JPP)	121,082 (USD 4,000)	121,082 (USD 4,000)	121,082 (USD 4,000)	-	0.00%	847,598 (50% of FV of Jinpao)	N	Y	-	
1	Jinpao	JPP Holding Company Limited	3	375,683 (20% of FV of JPP)	117,966 (EUR 3,500)	117,966 (EUR 3,500)	117,966 (EUR 3,500)	-	0.00%	847,598 (50% of FV of Jinpao)	N	Y	-	

Note: The limit of the guarantee amount has been approved by the board of the Company, and the exchange rates are based on the rates at the end of the reporting period.

**JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
JPP Holding Company Limited	Shares Superior Plating Technology Holding (Thailand) Co., Ltd.	None	Financial assets at FVTOCI - non-current	350	\$ 15,551	8.25	\$ 15,551	

**JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
JPP Holding Company Limited	Jinpao Europe	Parent and subsidiary	\$ 212,046 (EUR 6,370)	-	\$ -	-	\$ -	\$ -

**JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(Amounts in Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	JPP Holding Company Limited	Jinpao Europe	a	Other accounts receivable	\$ 212,046	Normal	6.40%
1	JPP Holding Company Limited	Jinpao Europe	a	Interests income	1,549	Normal	0.11%
1	JPP Holding Company Limited	Jinpao Europe	a	Interests receivable	2,743	Normal	0.08%
1	Jinpao	Jinpao Europe	a	Interests income	1,550	Normal	0.11%

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered in order from 1.

Note 2: Relationship between parties is numbered as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: For balance sheet accounts, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for income statement accounts, the percentage is calculated by dividing the ending balance of the account by the consolidated operating revenues.

Note 4: The disclosure of the significant transactions is determined by the materiality.

Note 5: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount			
JPP Holding Company Limited	Jinpao Precision Industry Co., Ltd.	631 Soi 12 Moo 4 Bangpoo Industrial Estate T. Phraksa, A. Muang, Samutprakarn 10280	Material parts design and manufacturing	\$ 1,083,848 (THB 1,181,237 thousand)	\$ 1,083,848 (THB 1,181,237 thousand)	63,375	99.99%	\$ 1,695,190	\$ 124,793	\$ 124,793	-
Jinpao	Jinpao Precision Japan Co., Ltd.	Vision Center Nihonbashi Fukushima Bldg. 2F, 1-5-3 Nihonbashimuromachi, Chuo-ku, Tokyo, 103-0022, Japan	Developing and selling metal processed products	6,489 (¥ 24,000 thousand)	6,489 (¥ 24,000 thousand)	0.48	80.00%	636	718	574	-
	Jinpao Europe SAS	Zone Industrielle Pyrène Aéroport, 65290 Louey	Metal parts manufacturing and milling	68,278 (EUR 1,900 thousand)	68,278 (EUR 1,900 thousand)	1,900	76.00%	62,166	(2,310)	(1,756)	-
	Wefly Aero Co., Ltd	647 Moo 4 Soi 11 Phraska, A. Muang Samutprakarn, 10280 Thailand	Aviation training	1,751 (THB 1,750)	- -	250	25.00%	1,156	(2,422)	(606)	-
Jinpao Europe SAS	Atelier de décolletage de Bigorre	Zone Industrielle Pyrène Aéroport, 65290 Louey	Metal parts manufacturing and milling	151,770 (EUR 4,300 thousand)	151,770 (EUR 4,300 thousand)	6	100.00%	136,088	(5,944)	(5,944)	-
	SAS LUTEC	27 Chemin Lou Tribail Zone Artisanale de Toctoucau CESTAS, 33610	Metal parts manufacturing and milling	52,943 (EUR 1,500 thousand)	52,943 (EUR 1,500 thousand)	418	100.00%	41,169	(7,619)	(7,619)	-

Note 1: Calculated based on the investees' audited financial statements for the same period and the Company's shareholding proportion.

Note 2: Except for Wefly, the investment gain (loss) of the investee companies, investments accounted for using the equity method and net asset values between investee companies have been fully eliminated upon the preparation of the consolidated financial statements.

經寶精密控股股份有限公司

JPP Holding Company Limited

董事長 鍾國松

總經理 鍾國松