

Stock Code : 6230

# Chaun-Choung Technology Corp.

## 2019

# Annual Report

(Translation Version)

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# One. Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen:

We, on behalf of the Board and employees of Chaun-Choung Technology Corp., would like to thank all our shareholders for your support and care. We hereby present the Company's 2019 business performance and 2020 operational plans to our beloved shareholders.

## I. The 2019 Business Report

### (I) The implementation results of the 2019 Business Plan

The Company generated consolidated net revenues totaling NT\$8,586,172 thousands in 2019, up 12% from the NT\$7,662,175 thousands in 2018. Pre-tax profit was concluded at NT\$967,857 thousands, up 4% from the NT\$931,048 thousands in 2018; net income amounted to NT\$701,534 thousands, representing an EPS of NT\$8.12 that were 18% higher than the previous year. The function of High-end PC, smart phones and electronic products becomes more sophisticated and high performance, and the higher demand for heat cooling, the products with high power cooling drives the sustained growth of the Company.

The overview of heat cooling industry nowadays, as the related technology of Cloud, Artificial Intelligence (AI) and 5G has developed maturely gradually, the application of heat cooling products focused on personal devices related to PC industry has expanded to the fields of smart phones, Cloud Data Centers, IoT, automobiles, communications, information computing facilities as well as smart home appliances. The overall demand for heat cooling products and the market size have continued to grow quickly. In order to meet the diversified needs of the market, CCI provides a wider array of cooling related products. The Company will continue to deepen the relationship of the existing customers and actively develop the heat cooling solutions in the fields of Handheld devices, Gaming consoles, high power air cooling systems and liquid cooling systems to meet the needs of the market. To invest the product development driven by related applications such as AI, IoT and 5G is the goal of the Company, in addition, comprehensively enhancing the connection with the key global regions / customers to strengthen the services for existing customers and develop new customers.

Besides well-known of cooling devices for the smart phones, laptops and servers have been getting lighter, slimmer and higher efficiency in performance. Chaun-Choung has successfully developed a number of cooling solutions for electronic products which are also in mass production in recent years, such as Gaming NB with overclocking thermal modules, Action Cameras with slim and light heat sink components, high-density & High Performance Computing (HPC) workstation-grade server thermal modules and Advanced Driver Assistance Systems (ADAS) with liquid-cooling solutions. Further, the technology of the products with copper vapor chamber developed by Chaun-Choung, no matter is ultra-slim vapor chamber or high-performance vapor chamber, the technology is maturity and has been recognized by major cell phone and network communication customers around the world with successful launch into the market and in mass production. Recently, based on this successful experience, Chaun-Choung is endeavouring towards the research and development of non-copper alloy technology, and apply this technology to more stringent requirement cooling solutions, such as vehicle-mounted, electrical and

electronic products, which require higher performance in cooling, stronger strength, lighter in weight. The usage of new materials will be based on the successfully developed copper production process, which will further extend to new equipment and new production process. Refine key welding and vacuum technology to overcome the physical bottleneck of design and manufacturing for different materials. It is expected to achieve ultra-slim thickness of less than 0.3 mm and high performance with a pressure resistance of more than 300 pounds as a unique cooling solution for particular demands.

It is the second year after joining of the Nidec team, after the cooperation of business and technology development the past year, the operational efficiency of each plant has been greatly improved. Through close cooperation with each other, the synergy has already yielded. Furthermore, the construction of the plant in Vietnam is expected to be completed by the end of this year. This will not only upgrade the overall production capacity of the whole group but also diversify the risk of concentration at only one production site. This will be favorable for the adjustment of the production line of the group to satisfy the needs and expectations of different customers. In terms of product strategy, the Company will continue exploring slimmer, smaller, more structurally robust and more heat cooling-efficient solutions in response to the trend of more diversified applications. The Company will concentrate on the applications such as Artificial Intelligence (AI), Internet of Things (IoT), Cloud, 5G, High Performance Computing (HPC), smart home appliances and automobiles, with using air cooling and liquid cooling solutions, to satisfy the demands of the market and expand the operational scale. As for the uncertainties are trade wars between major economies, risks of global security change, fluctuations in raw material prices, increased operation costs such as labor and product price competition. The Company will accelerate the optimization of production process to improve production capacity and productivity, and continue the innovation in technology, products and applications, with the suitable rearrangement of the production sites for assurance of core competence and synergy to surpass industry peers.

(II) Budget execution: according to the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company is not required to disclose information regarding budget execution and analysis in 2019, as the Company did not release the information of financial forecasts in 2019.

(III) Revenue, Expenditure and profitability analysis

Currency unit: NTD thousands

Item		Year	2018	2019
Financial Income and Expenditure	Operating Revenue		7,662,175	8,586,172
	Gross Profit from Operation		1,551,889	1,858,195
	Net Profit		595,610	701,534
Profitability	Return on Assets (%)		8.91	9.91
	Return on Equity (%)		16.01	17.76
	Pre-tax Profit as a percentage of Paid-up Capital (%)		107.83	112.09
	Net profit rate (%)		7.77	8.17
	Basic Earnings per Share (NT\$)		6.90	8.12

#### (IV) Research and Development

##### 1. Research and Development Expenses in the last two years

Currency unit: NTD thousands

Item	Year	2018	2019
R&D Expenses		290,193	343,725
As a Percentage of Current Year Revenue (%)		3.79	4.00

##### 2. Research and Development Outcomes

- (1)The development of cooling solution for the ultra-slim vapor chamber for 5G smart phones was completed.
- (2)The development of cooling solution for Intel Cometlake Platform was completed.
- (3)The development of cooling solution for Server Whitley Platform was completed.

## II. Summary of 2020 Business Plan

### (I) Operational Guidelines

1. Integrate internal management systems of the Company and obtain timely information to improve the efficiency and quality of decisions making.
2. Combining the resources of Nidec (Parent Company) to expand global competitiveness as well as vision and enhance policy execution.
3. Continuously intensify the development and management of supply chain to get more effective control of material costs.
4. Proactively establish good relationships with customers, satisfy various needs requesting by customers. Improve the timeliness of customer complaint handling, adopt corrective and preventive action and implement indeed.
5. Focus on market information gathering, including industry trends, financial information for decision making.
6. Adopt automatic production equipment accelerately, renew instruments timely, make ongoing improvements for production process to enhance productivity.
7. Strengthen product innovation and R&D plans; collaborate with research institutions moderately to secure the sources of new and high-tech technologies in the medium and long term of the Company.
8. Carry out the optimization of various transformation, strengthen the intergration and management of information systems, simplify the operation process, install auxiliary tools to improve efficiency and enhance the output per capita.

### (II) Expected Sales Volume and Basis

The Company's main products include heat pipes, vapor chambers, thermal modules, and heat sinks. These products are mainly used in PCs, servers, network communications, and smart phones. According to certain reports of the market, the extensive spread out of the COVID-19 at the beginning of this year triggered the sudden but sizable demand for telecommuting, distance learning, and medical diagnosis, which

in turn resulted in the short supply of PCs worldwide. However, the production base in China cannot resume as scheduled and accompany with the delay in logistic supply due to the isolationism policy adopted by the countries for the prevention of the epidemic. The result was the decline of global PCs' shipment by 8% in the first quarter of 2020 as compared with the same period of the previous year. But it can be expected that most countries will further expand their digital services under the influence of the epidemic and pull up the demand for broadband networks, which may be the key for accelerating the installation of hardware for 5G.

In addition to maintaining the stable market shares of PC and server cooling components, the Company will spare no effort in developing the application of vapor chambers in 2020. The shipment volume of main products will continue to growth overall and the expected consolidated sales volume is as follows,

Units: thousand sets/thousand pieces

Main Products	Annual Expected Sales Volume	As of March 31, 2020	
		Volume Sold	Percentage of Accomplishment (%)
Thermal module	70,715	9,627	13.61
Heat Sink	38,340	5,256	13.71
Others	26,948	6,615	24.55
Total	136,003	21,498	15.81

### (III) Important Production and Sales Policies

**Production Policies:** The industrial characteristics of heat cooling products are few standardization, frequent design changes and urgent orders. Therefore, the Company enforces the strict inventory management, reducing inventory and increasing inventory turnover. In addition, the Company also invests extensively in automatic production equipment as a mean to reduce labor requirements, and actively explores ways to improve production quality, simplify production process, design common materials for cost reduction in order to offer more competitive price of products.

**Sales Policies:** In addition to expanding market shares in local and foreign markets, the Company will also gradually increase investment in vapor chamber production capacity depending on the market supply and demand situation. In addition, the Company will strengthenly develop distribution channels and establish agency sales channels to further expand the international market exposure.

### III. Future Development Strategies

- (I) Set short/medium/long term goals and visions.
- (II) Take actions toward accomplishing the prescribed goals and visions, and track performance on a regular basis for strategies flexible adjustments.
- (III) Close cooperation with Nidec to broaden the scope of product services and industry field developing, which will help obtain comparative advantages of each product lines among the industry peers.
- (IV) Enhance the quality and energy of R&D, and share the achievements and revenue growth performance with customers.



- (V) Speed up production capacity expansion to satisfy future market demand.
- (VI) Actively upgrade the automated production process to improve efficiency and get effective cost control.
- (VII) Make continuous improvements on product quality and achieve the goal of zero defects.
- (VIII) Continue to strengthen the industry's environmental protection policies, energy conservation, carbon emission, create a friendly environment as well as employment terms for compliance with RBA (EICC) and fulfillment of social responsibilities, to realize our vision of a low-carbon/carbon-free industry.

#### **IV. Impacts of the Competitive Environment, Regulatory Environment, and the Overall Business Environment**

The Company has been susceptible to impacts of external competition, regulations, and macroeconomic environment since it was first founded. Faced with market competition, new laws issued by the securities authority, foreign environmental protection regulations, and the rapid change of global operating environment, the Company's operating performance has been indeed affected. In response to the above environmental changes, the Company will take actions to ensure the financial reports are prepared according to new securities laws and request all products produced by suppliers and the Company are compliant with foreign environmental protection regulations. Besides, the Company will endeavor to strengthen the integration of supply chain, enhance the percentage of self-manufacturing components, improve production processes, expand production capacity to make cost reduction, and timely grasp customers' order requirements to enable proper planning of raw material purchases, and thereby improve overall competitiveness of the Company.

We give you

Our best regards for the future ahead

Chairman: Junichi Nagai

General Manager: Ta-Chi Kuo

Head of Accounting: Ling-Chuan Yi

## Two. Company Profile

1. Date of Incorporation: The Company was incorporated on December 14, 1973.
2. Company History

### (I) Major Events of the Company

Date	Item
1973	<ul style="list-style-type: none"> <li>· Mr. Zong Wu founded Chaun Choung Enterprise Co., Ltd. with a capital of NT\$300,000 to engage in the production and processing of aluminum alloy products.</li> </ul>
1995	<ul style="list-style-type: none"> <li>· Collaborated with Industrial Technology Research Institute (ITRI) on the development of “heat pipes” that was a key component for NB thermal modules.</li> </ul>
1997	<ul style="list-style-type: none"> <li>· Began mass production of “micro heat pipes,” a key component for NB thermal modules that was developed in collaboration with ITRI in 1995.</li> <li>· Expanded the R&amp;D team to commence the design of NB thermal modules.</li> </ul>
1998	<ul style="list-style-type: none"> <li>· Commenced mass production and shipment of NB thermal modules.</li> <li>· Certified for ISO 9001 quality assurance.</li> </ul>
1999	<ul style="list-style-type: none"> <li>· The Company was renamed as Chaun Choung Technology Corporation, in addition to aluminum alloy product production and processing, the Company began to engage in the design and production of heat transfer/conduction components for IT products.</li> <li>· Awarded with the Taiwan Excellence Award (high performance heat transfer component - heat pipe) (NB CPU thermal module).</li> </ul>
2000	<ul style="list-style-type: none"> <li>· Invested in CONQUER WISDOM CO., LTD (British Virgin Islands) with 100% shareholdings obtained.</li> <li>· Purchased office building located at 12F, No. 123-1 and 10F, No. 111, Shing Te Road, Sanchung City, in response to business operation and future growth.</li> </ul>
2001	<ul style="list-style-type: none"> <li>· Approved by the Investment Commission, Ministry of Economic Affairs, to invest in Kunshan Jue-Choung Electronics Co., Ltd. in China indirectly with 100% shareholdings obtained through CONQUER WISDOM CO., LTD.</li> </ul>
2002	<ul style="list-style-type: none"> <li>· Approved for registration to trade on the Emerging Stock Market on April 2, 2002.</li> </ul>
2003	<ul style="list-style-type: none"> <li>· The Company’s stock was listed for trading on the Taipei Exchange (TPEX) on January 14, 2003.</li> <li>· The high-performance micro vapor chamber heat transfer component development project was approved by the Ministry of Economic Affairs on April 30, 2003.</li> </ul>
2004	<ul style="list-style-type: none"> <li>· Certified for ISO14001 and OHSAS18001 Environmental Health and Safety Management System.</li> </ul>
2005	<ul style="list-style-type: none"> <li>· The new plant of Kunshan Jue-Choung Electronics Co., Ltd., the subsidiary, was completed.</li> </ul>
2008	<ul style="list-style-type: none"> <li>· Adjusted the Company’s investment structure in China to invest in GLOBE STAR ENTERPRISE LIMITED through CONQUER WISDOM CO., LTD (an investment at a third location), which then indirectly invested in Kunshan Jue-Choung Electronics Co., Ltd. in China with 100% shareholdings obtained.</li> </ul>

Date	Item
2009	Began mass production of “vapor chambers,” a key component for servers.
2010	· The Company’s stock was listed for trading on the Taiwan Stock Exchange (TWSE) on September 16, 2010.
2011	· Approved by the Investment Commission, Ministry of Economic Affairs, to invest in GLOBE STAR ENTERPRISE LIMITED by investing additional capital in CONQUER WISDOM CO., LTD, which then indirectly invested in Chongqing Cyun Siang High-Tech Co., Ltd. in China with 100% shareholdings obtained.
2013	· Received the TOP 5000 Outstanding Enterprise Award.
2014	· Acquired property for an area of 400-ping located in Sanchung District, New Taipei City, for the expanded production of ultra-thin heat pipes and vapor chambers.
2015	· Juzhong Electronics Co., Ltd., the subsidiary, was awarded with three-certificate of “Corporate Carbon Footprint, Product Carbon Labeling, and Carbon Neutral.”
2017	· The new plant of Chongqing Cyun Siang High-Tech Co., Ltd., the subsidiary, was completed. · Kunshan Jue-Choung Electronics Co., Ltd., the subsidiary, acquired 100% shareholdings of Dongguan Chiuan-Vector Industrial Co., Ltd.
2018	· Received commendations from the Ministry of Economic Affairs for long standing in business (40+ years) and contribution to industrial and commercial development and employment. · November 2018 – Nidec Corporation (Japan) acquired 41,444,831 common stock shares from the Company for a 48% shareholding.
2019	· A total re-election of Directors and Supervisors was held in January 2019 with majority director seats acquired by Nidec Corporation and it has become the ultimate controller of the Company and subsidiaries. · July 2019 – The headquarters of Chaun-Choung Technology Corp. was relocated from Yingying Building on Shing Te Road to Zhongxing North Street.
2020	· January 2020 – The board of directors makes a resolution to set up a new subsidiary Nidec Chaun Choung Vietnam Corporation in Vietnam in order to conduct a major investment. · March 2020 – Nidec Chaun Choung Vietnam Corporation has incorporated.

(II) Mergers, acquisitions, investments in affiliated companies, and reorganization handled in the last financial year and up to the publication date of this annual report: In order to conduct a major investment in Vietnam, the board of directors of the Company makes a resolution to set up a new subsidiary Nidec Chaun Choung Vietnam Corporation (NCCV) on January 14, 2020. The initiated charter capital is USD 10 million, and NCCV has incorporated on March 31, 2020. According to Corporate Law of Vietnam, Chaun-Choung Technology Corp. will contribute the charter capital USD 10 million by cash within 90 days from the issuance date of the Certificate of Business registration of NCCV.

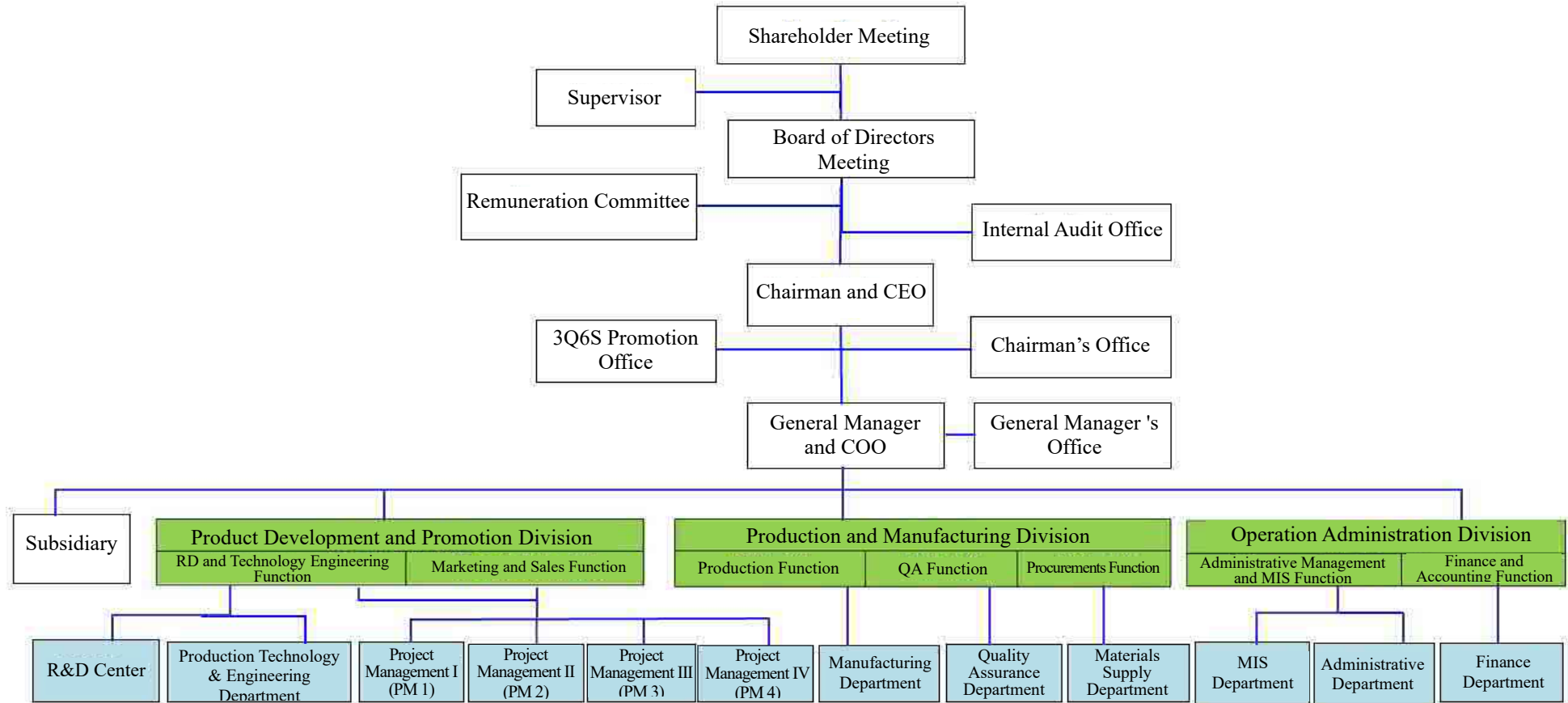
(III)Details of shares transferred by Directors, Supervisors, or Shareholders with more than 10% shareholding in the last year and up to the publication date of this annual report: Please refer to P.87-P.89 of the annual report: Details of shares transferred or pledged by Directors, Supervisors, Managerial Officers, and Shareholders with more than 10% shareholding.

(IV)Changes in management, business operation, business activities, or other events with significant impact on shareholders' equity in the last Year and up to the publication date of this annual report:

Nidec Corporation (Japan) acquired 41,444,831 common stock shares of the Company on November 22, 2018 for a 48% shareholding. The Company convened a Extraordinary Shareholders' Meeting on January 29, 2019 for the re-election of Directors and Supervisors. The Company's business operation or business activities are not affected by the re-organization of the board of directors. Relevant information has been disclosed on MOPS.

# Three. Corporate Governance Report

## I. Organization



(II) Responsibilities of Main Departments

Department Name	Main Responsibilities
Chairman's Office	<ol style="list-style-type: none"> <li>1. The draft and management of Chaozhong Group's business strategy, business objectives, and business operation</li> <li>2. The collection of various marketing information and industry intelligence</li> <li>3. Marketing strategy planning</li> <li>4. The planning and execution of new business units, such as, investing in new businesses, setting up subsidiaries, or organizing new departments</li> <li>5. Decision-making on important operational and financial matters</li> <li>6. The planning and execution of stock affairs; announcement of matters in accordance with law or disclosure of major information</li> <li>7. The preparation and operation of the board meeting and shareholder meeting</li> </ol>
Internal Audit Office	<ol style="list-style-type: none"> <li>1. Evaluate the soundness, rationality, and effectiveness of the company's internal control system and various management systems.</li> <li>2. Evaluate the efficiency of various plans or policies implemented by various units within the company.</li> <li>3. Reasonably confirm that each unit and each transaction cycle is with a good record, and whether it can properly prevent the waste, fraud, or inefficiency of cash, securities, or the use of other assets.</li> <li>4. Review the audit reports and self-assessment reports presented by all units and subsidiaries, and follow up on the improvement of the internal control nonconformities and abnormal matters.</li> <li>5. Cooperate with external institutions (Financial Supervisory Commission, counseling securities firm, accounting firm, and other relevant units) to audit internal control system.</li> <li>6. Handle the announcement and declaration matters in accordance with the provisions of the Financial Supervisory Commission.</li> </ol>
3Q6S Promotion Office	<ol style="list-style-type: none"> <li>1. The Group's 3Q6S activities management, execution, and tracking</li> <li>2. Formulate 3Q6S standardized specification (Handbook) targeting on all matters for the compliance of the entire Group, including the subsequent substantiation and implementation.</li> <li>3. The inventory management, application management, and requisition demand of the company's stationery and general supplies</li> <li>4. The company's other 3Q6S related affairs</li> </ol>
General Manager's Office	<ol style="list-style-type: none"> <li>1. Pay attention to the business situation and the requirements and expectations of stakeholders. Formulate business strategies, plan the company's operations guidelines, and implement board resolutions in response to the risks and opportunities; also, establish the company's operating systems and supervise daily operations.</li> <li>2. Handle internal relations, external public relations, and inter-departmental communication and coordination.</li> <li>3. Responsible for the design and implementation of the company's internal control system</li> <li>4. Ensure that the company's quality and environmental safety and health management system comply with customers' or international standards, and continue to have it operated effectively.</li> <li>5. The company's production reformation and promotion (such as, equipment automation and Internet of Things).</li> </ol>

Department Name	Main Responsibilities
R&D Center	<ol style="list-style-type: none"> <li>1. Chaozhong Group's R&amp;D resource utilization and laboratories management</li> <li>2. R&amp;D for liquid cooling system and key components</li> <li>3. Next-generation chip cooling solution development (such as, AI deep learning chips and high-power graphics card thermal solutions, etc.)</li> <li>4. Promotion and exploration of new thermal solutions</li> <li>5. Responsible for the development of new heat pipe structures.</li> <li>6. Responsible for the development of the new vapor chamber structure.</li> <li>7. Responsible for research and development of new products / new materials / new applications.</li> <li>8. Develop products that meet customers' quality / hazardous substance free (HSF).</li> <li>9. Gather hazardous substance free (HSF) management related information to comply with international law and customers' requirements.</li> <li>10. Supervise relevant product design, application development, etc. required by customers in the project department.</li> </ol>
Production Technology & Engineering Department	<ol style="list-style-type: none"> <li>1. Responsible for the production process design, machinery equipment, fixtures, and automation development when the product development is completed and ready for production, integrated with the cost, quality control, and other elements to achieve maximum efficiency and efficacy in mass production.</li> <li>2. Maintenance of production equipment</li> <li>3. Assist to transfer the developed manufacturing process to each subsidiary or factory.</li> <li>4. Coordinate and guide the Production Technology &amp; Engineering Department of each subsidiary or factory to optimize the process and equipment.</li> <li>5. Realize process improvement, equipment optimization, etc. to maximize yield rate.</li> <li>6. Develop equipment specifications and operating instructions</li> </ol>
Project Management Department	<p>(Marketing)</p> <ol style="list-style-type: none"> <li>1. Sales planning, coordination, sales performance evaluation, and collection of customers' accounts payable</li> <li>2. Customer credit assessment and market information gathering, analysis, composition, and reporting.</li> <li>3. Development of new customers and new market</li> <li>4. Establish benign interactive communication with customers (including customer property) and customer complaint analysis and handling.</li> <li>5. Planning and implementation of product marketing</li> <li>6. Collect customers' quality / hazardous substance free (HSF) requirements (R&amp;D)</li> </ol> <ol style="list-style-type: none"> <li>1. Product blueprint planning and R&amp;D plan execution</li> <li>2. Thermal/heat transfer technology and new product application development</li> <li>3. Study new market demands and update technical information.</li> <li>4. Client model design and implementation</li> </ol>
Manufacturing Department	<ol style="list-style-type: none"> <li>1. Responsible for the manufacturing and production of vapor chamber, heat pipes, thermal modules, and heat sinks.</li> <li>2. Produce products that meet customer quality / hazardous substance free</li> </ol>

Department Name	Main Responsibilities
	<p>(HSF) requirement.</p> <ol style="list-style-type: none"> <li>3. Production planning, arrange production line / capacity / staff deployment.</li> <li>4. Train, guide, and supervise operators to achieve the best efficiency.</li> <li>5. Ensure that products are delivered on time and as specified quality.</li> </ol>
Quality Assurance Department	<ol style="list-style-type: none"> <li>1. Responsible for the establishment of quality policies, implementation of quality systems, and auditing and improvement of quality operations.</li> <li>2. Provides quality-related recommendations to the management; assists and coordinates with various departments in the execution of the quality policy; and promotes quality enhancement activities and education and training in order to provide more satisfactory services to customers.</li> <li>3. Responsible for the introduction, supervision, and verification of the quality / hazardous substance free (HSF) in products, raw materials, and manufacturing processes.</li> </ol>
Materials Supply Department	<ol style="list-style-type: none"> <li>1. Responsible for the procurement of raw materials, various equipment, etc., to achieve a procurement strategy for suitable quality, quantity, time, and price.</li> <li>2. Procurement of raw materials, work-in-process products, and finished products that meet customers' quality / hazardous substance free requirement.</li> <li>3. Control and record the storage and inventory of materials, and maintain the integrity of the inventory in the factory area to have the supply met the demand.</li> <li>4. Contractor assessment and performance management is to meet customers' quality / hazardous substance free (HSF) requirement.</li> <li>5. Contact window for supplier property</li> </ol>
MIS Department	<ol style="list-style-type: none"> <li>1. Monitors IT trends, develops IT policies, and promotes IT transformation.</li> <li>2. Plans and coordinates IT transformation efforts to ensure effective use of resources.</li> <li>3. Establish relevant information systems that meet customer quality / hazardous substance free (HSF) requirement.</li> </ol>
Administrative Department	<ol style="list-style-type: none"> <li>1. Protection of intellectual property rights and litigation.</li> <li>2. Planning and implementation of personnel system and performance evaluation</li> <li>3. Staff education and training and salary management</li> <li>4. Provide general administrative services and management, stationery supplies procurement, asset repairs, and repair and maintenance of the utilities, air conditioning, communications and other supply systems inside the plant, and provide a suitable operating environment.</li> <li>5. Data maintenance and management of fixed assets</li> <li>6. Responsible for the planning, management, and related law and regulations review for the company's environmental safety and health affairs.</li> <li>7. The preparation and operation of the Remuneration Committee.</li> <li>8. Responsible for the company's internal control and ISO document issuance and management.</li> <li>9. R&amp;D project management (such as, project code preparation), the Group's material code management, and BOM establishment and maintenance</li> </ol>
Finance Department	<ol style="list-style-type: none"> <li>1. Provides operational information and performs difference analysis.</li> <li>2. Investments and assessing, planning, and implementing long-term and short-term investment activities.</li> </ol>



## II. Profile of the Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of Various Departments and Branches

### (I) Profile of the Directors and Supervisors

#### 1. Profile of the Directors and Supervisors

April 30, 2020 Unit: shares

Title	Nationality or Place of Registration	Name	Gender	Date of Elected/ Appointed	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Duties in the Company and in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads			Remarks
							Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
Chairman	Japan	Nidec Corporation	-	2019.1.29	3 yr	2019.1.29	41,444,831	48.00%	52,180,550	60.43%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Junichi Nagai	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelors of Economics, Yokohama National University Nidec Corporation – Manager of Overseas Business Department	Chaun-Choung Technology Corp. – CEO The CEO of subsidiaries– JCI, CSI, NCCV The executive director of subsidiary –CVI	None	None	None	Note 1
Vice Chairman	Republic of China	Yo Chang Investment Co., Ltd.	-	2019.1.29	3 yr	2018.6.19	2,945,000	3.41%	2,945,000	3.41%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Shih-Ling Wu	Female	2019.1.29	3 yr	2015.6.15	1,353,410	1.57%	1,353,410	1.57%	0	0.00%	0	0.00%	MBA and Master of Accounting, State University of New York Taiwan Mobile Co., Ltd. - Deputy Manager of the Finance Department Radium Life Tech Co., Ltd. - Deputy Manager of the Finance Department Chaun-Choung Technology Corp. – Chairman’s Assistant and Chairman	Chaun-Choung Technology Corp. - CAO Conquer Wisdom Co., Ltd. - NCCV – Director Chaun Choung Technology America Inc. – Chairman Skardin Industrial Corporation - Supervisor Yi Cen Investment Corporation – Supervisor	Planning AVP	Yi-Chang Wu	Relatives in the 2nd degree of kinship	None
Director	Republic of China	Yo Chang Investment Co., Ltd.	-	2019.1.29	3 yr	2018.6.19	2,945,000	3.41%	2,945,000	3.41%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Ta-Chi Kuo	Male	2019.1.29	3 yr	2018.6.19	24,000	0.03%	24,000	0.03%	0	0.00%	0	0.00%	PhD. in Mechanical Engineering, University of Texas at Austin Chaun-Choung Technology Corp. - Manager of R&D Waffer Technology Corp. - Manager of Heat Conductors	Chaun-Choung Technology Corp. – General Manager & COO The Director and General Manager of subsidiary – JCI	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date of Elected/Appointed	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Duties in the Company and in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads			Remarks
							Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
Director	Japan	Nidec Corporation	-	2019.1.29	3 yr	2019.1.29	41,444,831	48.00%	52,180,550	60.43%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Masashi Takao	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Mechanical Engineering, Yokohama National University Nidec Corporation - Executive Consultant of the General Application Motor & Solutions (GMS) Business Group	Chaun-Choung Technology Corp. - CTO	None	None	None	None
Director	Japan	Nidec Corporation	-	2019.1.29	3 yr	2019.1.29	41,444,831	48.00%	52,180,550	60.43%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Kazuhito Kaise	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Law, Hitotsubashi University Nidec Corporation - Chief of the Global Corporate Strategy Office	Chaun-Choung Technology Corp. - CFO The Director of subsidiaries-JCI, CSI, NCCV	None	None	None	None
Director	Japan	Nidec Corporation	-	2019.1.29	3 yr	2019.1.29	41,444,831	48.00%	52,180,550	60.43%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Mitsuru Tsuyoshi	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Chinese Studies, Osaka University of Foreign Studies	Nidec Corporation - Executive Consultant Taiwan Nidec Corporation - Chairman Nidec Management Shanghai Corporation - COO Nidec (Hong Kong) Co., Ltd. - Director	None	None	None	None
Director	Japan	Nidec Corporation	-	2019.1.29	3 yr	2019.1.29	41,444,831	48.00%	52,180,550	60.43%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Hidetoshi Matsuhashi	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Economics, University of Toyama	Nidec Corporation - CFO of the General Application Motor & Solutions (GMS) Business Group Nidec Electronics (Thailand) Co., Ltd. - Director	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date of Elected/Appointed	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Duties in the Company and in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as Directors, Supervisors, or Department Heads			Remarks
							Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
Independent Director	Republic of China	Ke-Wei Hsu	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Law, National Taiwan University Master of Law, University of Pennsylvania MBA, University of Pennsylvania Wharton School Jones Day - Senior Consultant	Wende Pharmaceuticals Co., Ltd. - Legal Consultant	None	None	None	None
Independent Director	Republic of China	Ya-Ping Chiang	Female	2019.1.29	3 yr	2006.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Financial Taxation, National Chung Hsing University Dongguan Donsha-Baofong Hardware and Plastics Plant – Finance Manager Certified Public Accountant	–	None	None	None	None
Supervisor	Republic of China	Yi Cen Investment Co., Ltd.	–	2019.1.29	3 yr	2015.6.15	2,235,000	2.59%	2,235,000	2.59%	0	0.00%	0	0.00%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	None
		Representative: Chun-Yu Yen	Male	2019.1.29	3 yr	2002.6.14	43,471	0.05%	43,471	0.05%	7,000	0.01%	0	0.00%	Master of Accounting, National Chengchi University KPMG - Team Leader Certified Public Accountant Taiwan Small & Medium Enterprise Counseling Foundation - Section Chief of Operation Office	Taiwan Small & Medium Enterprise Counseling Foundation – Senior Manager of Counseling Operation Office Skardin Industrial Corporation - Supervisor	None	None	None	None
Supervisor	Japan	Isao Takahashi	Male	2019.1.29	3 yr	2019.1.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Economics, Doshisha University Nidec Corporation – Section Chief of Global Consolidated Financial Statements Division of Accounting Department	Nidec Corporation – Manager of Accounting Department	None	None	None	None

Note 1: If the Chairman of the company and the President or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information:

Nidec Corporation (hereinafter referred to as “Nidec”) after having completed the public acquisition of the Company in November 2018 has become the parent company of the Company. The Company held a extraordinary shareholders’ meeting on January 29, 2019 to re-elect the directors and supervisors entirely. Mr. Nagai Junichi, the representative appointed by Nidec, was elected as the Chairman. Nidec, the parent company, bases on the purpose of supervising the Company’s operation, has appointed Mr. Nagai Junichi to serve as the Company’s chief executive officer, who will plan the Company’s business strategy, operating goals, business direction and management,

marketing strategy and planning; also, be responsible for the planning and execution of new business units, as well as the decision-making of important operations and financial matters. It is a common management model for multinational enterprises. The Chairman usually communicates the current status of operations and future operating policies with the directors through the board of directors, and implements corporate governance. In the future, the Company will also plan to establish additional independent director seats according to operational needs in order to enhance the functions of the board of directors and strengthen the supervision mechanism.

2. If the directors and supervisors are representatives of corporate shareholders, the name of the corporate shareholder and the name and shareholding ratio of the top-10 shareholders of the corporate shareholder:

April 30, 2020

Name of Corporate Shareholder	Major Shareholders of the Corporate Shareholder	Shareholding Percentage
Nidec Corporation	Shigenobu Nagamori	8.44%
	The Master Trust Bank of Japan, Ltd. (Trust account)	6.40%
	Japan Trustee Services Bank, Ltd. (Trust account)	4.71%
	The Bank of Kyoto, Ltd.	4.23%
	S.N. KOSAN, LLC.	3.46%
	MUFG Bank, Ltd.	2.53%
	JP Morgan Chase Bank	2.53%
	SSBTC Client Omnibus Account	2.39%
	Nippon Life Insurance Company	2.25%
	Meiji Yasuda Life Insurance Company	2.19%
Yo Chang Investment Co., Ltd.	Yo-Tian Wu	12.05%
	Yu-Ni Wu Chen	11.16%
	Po-Huei Wu	7.54%
	Ya-Ting Li	6.69%
	Chia-Hua Wu	6.69%
	Ying-Yi Wu	5.94%
	Hsin-I Tsou	5.76%
	I-Chen Peng	5.58%
	Chun-Hsi Wu Yao	4.84%
	Chien-Hsing Wu	4.69%
Yi Cen Investment Co., Ltd.	Yi-Chang Wu	65.94%
	Chun-Hsi Wu Yao	34.06%

3. If the Major Shareholders of Major Corporate Shareholders is a legal person, the information of the major shareholders:

April 30, 2020

Name of Corporate Shareholder	Major Shareholders of the Corporate Shareholder	Shareholding Percentage
The Master Trust Bank of Japan, Ltd.	MUFG Bank, Ltd.	46.50%
	Nippon Life Insurance Company	33.50%
	Meiji Yasuda Life Insurance Company	10.00%
	The Norinchukin Trust & Banking Co., Ltd.	10.00%
Japan Trustee Services Bank, Ltd.	JTC Holdings, Ltd.	100.00%
The Bank of Kyoto, Ltd.	The Master Trust Bank of Japan, Ltd. (Trust account)	4.28%
	Nippon Life Insurance Company	4.00%
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	3.43%
	Meiji Yasuda Life Insurance Company	3.29%
	Japan Trustee Services Bank, Ltd. (Trust account)	2.70%
	The Bank of New York Mellon 140051	2.28%
	KYOCERA Corporation	2.10%
	The Master Trust Bank of Japan, Ltd. (Pension trust account – OMRON Co. account)	2.01%
	Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	2.01%
	Japan Trustee Services Bank, Ltd. (Trust account 5)	1.86%
MUFG Bank, Ltd.	Mitsubishi UFJ Financial Group Inc. (MUFG)	100.00%
JP Morgan Chase Bank	JP Morgan Chase & Co.	100.00%

4. Professional knowledge and independence of directors and supervisors

April 30, 2020

Name	Qualifications	Compliance With independence (Note)												Concurrently severing as an independent director of other public offering companies
		1	2	3	4	5	6	7	8	9	10	11	12	
Nidec Corporation Representative: Junichi Nagai		√		√			√	√		√	√	√		0
Yo Chang Investment Co., Ltd. Representative: Shih-Ling Wu		√					√	√	√	√	√	√		0
Yo Chang Investment Co., Ltd. Representative: Ta-Chi Kuo		√		√		√	√	√	√	√	√	√		0
Nidec Corporation Representative: Masashi Takao		√		√			√	√		√	√	√		0
Nidec Corporation Representative: Kazuhito Kaise		√		√			√	√		√	√	√		0
Nidec Corporation Representative: Mitsuru Tsuyoshi		√	√	√	√			√		√	√	√		0
Nidec Corporation Representative: Hidetoshi Matsuhashi		√	√	√	√			√		√	√	√		0
Ke-Wei Hsu		√	√	√	√	√	√	√	√	√	√	√	√	0
Ya-Ping Chiang	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen	√	√	√	√	√	√	√	√	√	√	√	√		0
Isao Takahashi		√	√	√	√			√	√		√	√	√	0

Note: Please tick the box “√” if the Director or Supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not employed by other companies or any of their affiliated companies.
- (2) Not a Director or Supervisor of the company or any of the affiliated companies (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the principal’s spouse, minor children, or held by the person under any other’s name, in an aggregate amount of 1% or more of the total number of issued

shares of the company or ranking in the top 10 in shareholdings.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other companies that are controlled by the person who also controls the majority of the Company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (7) Not a director (or governor), supervisor, or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director (or governor), supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or its affiliates, or that provides commercial, legal, financial, accounting or related services to the Company or its affiliates for which the provider in the last 2 years has received accumulative compensation less than NT\$500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Consolidation and Acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.
- (10) Not a spouse or a relative in 2nd degree of kinship of any other Director.
- (11) There is not any circumstance as stated in Article 30 of the Company Act.
- (12) There is not any circumstance as stated in Article 27 of the Company Act, which stipulates that the government, legal person, or their representatives shall be elected.



(II) Profile of the Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of Various Departments and Branches

April 30, 2020; Unit: Shares

Title	Nationality	Name	Gender	Date Elected/ Appointed	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Positions in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer			Remarks
					Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
CEO	Japan	Junichi Nagai	Male	2019.2.1	0	0.00%	0	0.00%	0	0.00%	Bachelor's of Economics, Yokohama National University Nidec Corporation – Manager of Overseas Business Department	The CEO of subsidiaries – JCI, CSI, NCCV The executive director of subsidiary – CVI	None	None	None	Note 1
General Manager & COO	Republic of China	Ta-Chi Kuo	Male	2017.5.5	24,000	0.03%	0	0.00%	0	0.00%	PhD. in Mechanical Engineering, University of Texas at Austin Chaun-Choung Technology Corp. - Manager of R&D Waffer Technology Corp. - Manager of Heat Conductors	The Director and General Manager of subsidiary – JCI	None	None	None	None
CAO	Republic of China	Shih-Ling Wu	Female	2019.1.29	1,353,410	1.57%	0	0.00%	0	0.00%	MBA and Master's of Accounting, State University of New York Taiwan Mobile Co., Ltd. - Deputy Manager of the Finance Department Radium Life Tech Co., Ltd. - Deputy Manager of the Finance Department Chaun-Choung Technology Corp. - Chairman's Assistant & Chairman	Conquer Wisdom Co., Ltd. - NCCV – Director Chaung Choung Technology America Inc. – Chairman Skardin Industrial Corporation - Supervisor Yi Cen Investment Corporation – Supervisor	Planning Assistant Vice President	Yi-Chang Wu	Relatives in the 2nd degree of kinship	None
CTO	Japan	Masashi Takao	Male	2019.2.1	0	0.00%	0	0.00%	0	0.00%	Bachelor's of Mechanical Engineering, Yokohama National University Nidec Corporation Executive Consultant of the General Application Motor & Solutions (GMS) Business Group	None	None	None	None	None
CFO	Japan	Kazuhito Kaise	Male	2019.2.1	0	0.00%	0	0.00%	0	0.00%	Bachelor's of Law, Hitotsubashi University Nidec Corporation - Chief of the Global Corporate Strategy Office	The Director of subsidiaries – JCI, CSI, NCCV	None	None	None	None

Title	Nationality	Name	Gender	Date Elected/ Appointed	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Positions in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer			Remarks
					Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
Product Development & Promotion Division – Senior Vice President	Republic of China	Chien-Hung Wu (Note 2)	Male	2014.3.26	100,000	0.12%	0	0.00%	0	0.00%	Bachelor of Business Management of Tamkang University Chaun-Choung Technology Corp. – Assistant Vice President	Chaun Choung Technology America Inc. – Vice Chairman GLOBE STAR ENTERPRISE LTD. – Chairman	None	None	None	None
Vice President	Republic of China	Meng-Cheng Huang	Male	2014.3.26	0	0.00%	0	0.00%	0	0.00%	PhD. in Mechanical Engineering, National Taiwan University	None	None	None	None	
Vice President	Republic of China	Chih-Ren Lin	Male	2011.9.1	0	0.00%	0	0.00%	0	0.00%	MBA, University of South Australia (UniSA) Senior Manager of Purchasing and Senior Manager of Quality Assurance of DELL TAIWAN B.V. Chaun-Choung Technology Corp. – Assistant Vice President of Quality Assurance Department	None	None	None	None	
R&D Center – Vice President	Republic of China	Cheng-Tu Wang (Note 2)	Male	2007.8.30	0	0.00%	0	0.00%	0	0.00%	Master of Mechanical Engineering, National Taiwan University of Science and Technology Chaun-Choung Technology Corp. – Manager of R&D	None	None	None	None	

Title	Nationality	Name	Gender	Date Elected/ Appointed	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Positions in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer			Remarks
					Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
Vice President	Republic of China	Chi-feng Hsieh	Male	2019.11.11	0	0.00%	0	0.00%	0	0.00%	Bachelor of Industrial Engineering of Feng Chia University Kaihe Computer Accessories (Suzhou) Co., Ltd. and Kaijia Computer Accessories Co., Ltd. (Jiashan County, China) – Director of Purchasing Department Mingshuo Computer Co., Ltd. (Suzhou) – Director of Purchasing Department	None	None	None	None	None
Quality Assurance Department – Vice President	Republic of China	Yu-min Fan	Male	2020.2.3	0	0.00%	0	0.00%	0	0.00%	Master of Ordnance System Engineering, Zhongzheng Institute of Technology CosmoSupplyLab Ltd. (Dongguan, China) – Director of Quality Assurance Hongda International Electronics (China) Co., Ltd. - Senior Director of Quality and After-sales Service, Director of Quality Control	None	None	None	None	None
Planning – Assistant Vice President	Republic of China	Yi-Chang Wu	Male	2015.8.10	380,000	0.44%	1,340	0.00%	0	0.00%	Master of Telecommunication Engineering, College of Electrical and Computer Engineering, National Chiao Tung University Quanta Computer Incorporated – Senior Manager of LCBU Chaun-Choung Technology Corp.– Planning Manager of General Manager’s Office	Yi Cen Investment Co., Ltd. - Chairman	CAO	Shih-Ling Wu	Relatives in the 2nd degree of kinship	None
PM1 – Assistant Vice President	Republic of China	Hung-Lin Cheng	Male	2019.1.1	0	0.00%	0	0.00%	0	0.00%	Master of Department of Mechanical Engineering, Yuanzhi University Chaun-Choung Technology Corp. – R&D engineer, Marketing Manager of Product Development Division	None	None	None	None	None

Title	Nationality	Name	Gender	Date Elected/ Appointed	Shareholding		Shares Held by Spouse and Underage Children		Shares Held by Proxy		Main Career (Academic) Achievements	Concurrent Positions in Other Companies	Spouse or Relatives in the 2nd degree of kinship Acting as a Managerial Officer			Remarks
					Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage			Title	Name	Relationship	
PM2 – Assistant Vice President	Republic of China	Ya-Chin Chih	Female	2019.1.1	0	0.00%	0	0.00%	0	0.00%	Department of Media Administration, Shih Hsin University Chaun-Choung Technology Corp. – Secretary of General Manager and Marketing Manager of Product Development Division	None	None	None	None	None
PM3- Assistant Vice President	Republic of China	Zhi-ye Shen	Male	2019.7.22	0	0.00%	0	0.00%	0	0.00%	Bachelor of Chemical Engineering, National Tsinghua University Kuang Ho Technology Co., Ltd. – Vice President	None	None	None	None	None
Finance Department – Senior Manager	Republic of China	Ling-Chuan Yi	Female	2007.3.1	5,053	0.01%	116	0.00%	0	0.00%	Business Management Department of Hsingwu Junior College of Commerce Chaun-Choung Technology Corp. – Manager of Finance Department	None	None	None	None	None

Note 1: If the Chairman of the company and the President or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st of kinship, should explain the reasons, rationality, necessity, and corresponding measures (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information: Please refer to II (I), 1. Note 1 in the attached table of “Profile of the Directors and Supervisors.”

Note 2: Mr. Chien-Hung Wu and Mr. Cheng-Tu Wang were appointed as senior Vice President of Product Development & Promotion Division and Vice President of R&D Center on April 1, 2020.

III. Remuneration paid to the Directors, Supervisors, General Manager, and Vice Presidents in the Last Year(2019)

(I) Director Remuneration (including Independent Directors)

Currency unit: NT\$1,000

Title	Name	Director Remuneration								Ratio of the total amount (Sum of A, B, C, and D) to Net Income		Remuneration received due to the identity of employees								Ratio of the total amount (Sum of A, B, C, D, E, F, & G) to Net Income		Remuneration received from the invested companies and the parent company other than the subsidiaries (Note 1)	
		Remuneration (A)		Pension (B)		Director compensation (C)		Business practice expenses (D)				Salaries, bonuses, special expenses, etc. (E)		Pension (F)		Employee compensation (G)							
		The Company	All companies Included in the financial statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company		All Companies Included in the Financial Statements		The Company	All Companies Included in the Financial Statements				
																Amount paid in cash	Amount paid in shares	Amount paid in Cash	Amount paid in Shares				
Directors	Nidec Corporation Representative: Junichi Nagai																						
	Yo Chang Investment Co., Ltd. Representative: Shih-Ling Wu																						
	Yo Chang Investment Co., Ltd. Representative: Ta-Chi Kuo																						
	Nidec Corporation Representative: Masashi Takao	246	246	0	0	2,000	2,000	36	36	0.33%	0.33%	17,675	20,070	0	0	4,999	0	4,999	0	3.56%	3.90%	26,568	
	Nidec Corporation Representative: Kazuhito Kaise																						
Independent Directors	Nidec Corporation Representative: Mitsuru Tsuyoshi																						
	Nidec Corporation Representative: Hidetoshi Matsuhashi																						
	Ke-Wei Hsu	0	0	0	0	2,000	2,000	42	42	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	0	
	Ya-Ping Chiang																						

1. Please describe the policy, systems, standards, and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks, and time invested:

The remuneration of the Company's independent directors, in addition to the transportation allowance for attending the board meetings, also includes director compensation that is paid for factors, such as, the company's operating performance, the payment level of the industry, the degree of independent directors' participation in the company's operations, and the risks they bear. It is proposed to the board of directors for resolutions after consulting with the Remuneration Committee.

2. In addition to the disclosure in the aforementioned table, the remuneration received by the directors of the Company for providing services to all the companies in the financial statement (such as, serving as consultants but not employees) in the most recent year: None

Note 1: Refers to the consideration and remuneration received by the directors of the Company for serving as directors, supervisors, or managerial officers of the Parent Company (including remuneration to employees, directors, and supervisors), business practice expenses, and other related remuneration.

Note 2: The Japanese directors of the Company do not collect the compensation of directors and supervisors in Taiwan; also, those who serve as an employee will not collect a bonus and employee compensation either.

Director and Independent Director Remuneration Bracket

Director Remuneration Bracket of the Company	Name of Director			
	The total remuneration amount of the first 4 items (A+B+C+D)		The total remuneration amount of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements (H)	The Company	The parent company and all invested companies (I)
Less than NT\$1,000,000	Junichi Nagai, Masashi Takao, Kazuhito Kaise, Mitsuru Tsuyoshi, Hidetoshi Matsuhashi	Junichi Nagai, Masashi Takao, Kazuhito Kaise, Mitsuru Tsuyoshi, Hidetoshi Matsuhashi	Mitsuru Tsuyoshi, Hidetoshi Matsuhashi	Mitsuru Tsuyoshi
NT\$1,000,000(inclusive) - NT\$2,000,000(non-inclusive)	Shih-Ling Wu, Ta-Chi Kuo, Ke-Wei Hsu, Ya-Ping Chiang	Shih-Ling Wu, Ta-Chi Kuo, Ke-Wei Hsu, Ya-Ping Chiang	Ke-Wei Hsu, Ya-Ping Chiang	Ke-Wei Hsu, Ya-Ping Chiang
NT\$2,000,000(inclusive) - NT\$3,500,000(non-inclusive)	–	–	–	–
NT\$3,500,000(inclusive) - NT\$5,000,000(non-inclusive)	–	–	Junichi Nagai, Ta-Chi Kuo, Kazuhito Kaise	–
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	–	–	Shih-Ling Wu, Masashi Takao	Shih-Ling Wu, Ta-Chi Kuo, Kazuhito Kaise, Hidetoshi Matsuhashi
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)	–	–	–	Junichi Nagai, Masashi Takao
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	–	–	–	–
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	–	–	–	–
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	–	–	–	–
More than NT\$100,000,000	–	–	–	–
Total	9 seats	9 seats	9 seats	9 seats

## (II) Supervisor Remuneration

Currency unit: NT\$1,000

Title	Name	Supervisor Remuneration						Ratio of the total amount (Sum of A, B, and C) to Net Income (%)		Remuneration received from the invested companies and the parent company other than the subsidiaries
		Remuneration (A)		Compensation (B)		Business practice expenses (C)		The Company	All Companies Included in the Financial Statements	
		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements			
Supervisor	Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen	0	0	1,000	1,000	39	39	0.15%	0.15%	None
Supervisor	Isao Takahashi									

Note 1: The Japanese supervisor of the Company does not collect the compensation of directors and supervisors in Taiwan.

## Supervisor Remuneration Bracket

Supervisor Remuneration Bracket of the Company	Name of Supervisor	
	The total remuneration amount of the first 3 items (A+B+C)	
	The Company	All companies included in the financial statements (D)
Less than NT\$1,000,000	Isao Takahashi	Isao Takahashi
NT\$1,000,000(inclusive) - NT\$2,000,000(non-inclusive)	Chun-Yu Yen	Chun-Yu Yen
NT\$2,000,000(inclusive) - NT\$3,500,000(non-inclusive)	–	–
NT\$3,500,000(inclusive) -NT\$5,000,000(non-inclusive)	–	–
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	–	–
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)	–	–
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	–	–
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	–	–
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	–	–
NT\$ 100,000,000 and Above	–	–
Total	2 seats	2 seats



## (III) Remuneration to General Manager and Vice Presidents

Currency unit: NT\$1,000

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Ratio of the total amount (Sum of A, B, C, and D) to Net Income (%)		Remuneration received from the invested companies and the parent company other than the subsidiaries (Note 1)
		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company		All Companies Included in the Financial Statements		The Company	All Companies Included in the Financial Statements	
								Amount Paid in Cash	Amount Paid in Shares	Amount Paid in Cash	Amount Paid in Shares			
CEO	Junichi Nagai	22,220	24,205	282	282	2,111	2,521	8,577	0	8,577	0	4.73%	5.07%	18,616
General Manager & COO	Ta-Chi Kuo													
CAO	Shih-Ling Wu													
CTO	Masashi Takao													
CFO	Kazuhito Kaise													
Senior Vice President	Chien-Hung Wu													
Vice President	Meng-Cheng Huang													
Vice President	Chih-Ren Lin													
Vice President	Chi-feng Hsieh (Note 2)													

Note 1: Refers to the consideration and remuneration received by the General Manager and Vice Presidents of the Company for serving as directors, supervisors, or managerial officers of the Parent Company (including remuneration to employees, directors, and supervisors), business practice expenses, and other related remuneration.

Note 2: Mr. Chi-feng Hsieh, Vice President, assumed office on November 11, 2019.

Note 3: The Japanese managerial officers of the Company do not collect the bonus and employee compensation in Taiwan.

General Manager and Vice Presidents Remuneration Bracket

General Manager and Vice President Remuneration Bracket	Name of the General Manager and Vice President	
	The Company	Parent company and all invested companies (E)
Less than NT\$1,000,000	Chi-feng Hsieh	Chi-feng Hsieh
NT\$1,000,000(inclusive) -NT\$2,000,000(non-inclusive)	–	–
NT\$2,000,000(inclusive) -NT\$3,500,000(non-inclusive)	Ta-Chi Kuo, Meng-Cheng Huang, Chih-Ren Lin	Meng-Cheng Huang, Chih-Ren Lin
NT\$3,500,000(inclusive) -NT\$5,000,000(non-inclusive)	Junichi Nagai, Kazuhito Kaise, Chien-Hung Wu	Chien-Hung Wu
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	Shih-Ling Wu, Masashi Takao	Shih-Ling Wu, Ta-Chi Kuo, Kazuhito Kaise
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)	–	Junichi Nagai, Masashi Takao
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	–	–
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	–	–
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	–	–
NT\$ 100,000,000 and Above	–	–
Total	9 seats	9 seats

## (IV) Names of managerial officers entitled to employee compensation and amount entitled

December 31, 2019; Currency unit: NT\$1,000

Item	Title	Name	Amount Paid in Shares	Amount Paid in Cash (Note 3)	Total	Ratio of total amount to net income (%)
Managerial officers	CEO	Junichi Nagai	0	14,058	14,058	2.00%
	General Manager & COO	Ta-Chi Kuo				
	CAO	Shih-Ling Wu				
	CTO	Masashi Takao				
	CFO	Kazuhito Kaise				
	Senior Vice President	Chien-Hung Wu (Note 1)				
	Vice President	Meng-Cheng Huang				
	Vice President	Chih-Ren Lin				
	Vice President	Cheng-Tu Wang (Note 1)				
	Vice President	Chi-feng Hsieh (Note 2)				
	Assistant Vice President	Yi-Chang Wu				
	Assistant Vice President	Hung-Lin Cheng				
	Assistant Vice President	Ya-Chin Chih				
	Assistant Vice President	Zhi-ye Shen				
	Senior Manager (Finance and Accounting Officer)	Ling-Chuan Yi				

Note 1: Mr. Chien-Hung Wu and Mr. Cheng-Tu Wang were appointed as senior Vice President of Product Development & Promotion Division and Vice President of R&D Center on April 1, 2020.

Note 2: Mr. Chi-feng Hsieh, Vice President, assumed office on November 11, 2019.

Note 3: A resolution was made by the Company's board of directors on March 25, 2020 to distribute the employee compensation of 2019 for an amount of NT\$46,000,000. As of the publication date of the annual report, the Company's proposed distribution of managerial officers' compensation has not been determined yet. Therefore, the distribution amount of the managerial officers for this year is estimated according to the employee compensation amount actually distributed last year.

Note 4: The Japanese managerial officers of the Company do not collect the bonus and employee compensation in Taiwan.

(V) Compare and explain the analysis of the ratio of the total remuneration paid by the Company and all companies in the consolidated financial statements to the Company’s Directors, Supervisors, President, and Vice President in the last two years to the net income on the standalone financial reports; also, explain the remuneration policies, standards and portfolio, procedures for remuneration determination, and correlation with the operating performance and future risks.

1. Analysis of the ratio of the total remuneration paid to the Company’s Directors, Supervisors, President, and Vice President in the last two years to the net income on the standalone financial reports:

Title \ Item	Ratio of the total remuneration paid by the Company and all companies in the consolidated financial statements to the Company’s Directors, Supervisors, General Manager, and Vice Presidents to the net income on the standalone financial statements			
	2018		2019	
	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements
Directors	7.47%	7.47%	5.50%	5.84%
Supervisors				
General Manager and Vice Presidents				

2. The remuneration policies, standards and portfolio, procedures for remuneration determination, and correlation with the operating performance and future risks:

(1) It is clearly defined in Article 20 of the Company’s Articles of Association that if there is a net income in the current year, the employee compensation shall be appropriated for an amount not less than 3% of the net income; also, the board of directors may resolve to have an amount appropriated for not more than 3% of the net income as compensation to directors and supervisors. Directors and supervisors’ remuneration is determined by considering the factors, such as, the company’s annual operating performance, the payment level of the industry, the degree of directors’ and supervisors’ participation in the company’s operations, and performance and contribution. The proposal for compensation is reviewed by the Remuneration Committee and then discussed by the board of directors for distribution; also, it is presented in the shareholders’ meeting thereafter.

(2)The remuneration of the Company’s General Manager and Vice Presidents includes salary, bonus, employee compensation, etc., referring to the salary level of the same position in the industry, combined with seniority, degree of responsibility, personal work performance and goal achievement, and overall contribution to the Company’s performance. In addition, refer to the Company’s operating performance of the year, possible future business risks and development trends of the industry, and the salary and welfare levels of the industry for the distribution of a reasonable remuneration. The content and rationality of the remuneration are reviewed by the Remuneration Committee and then discussed and approved by the board of directors; also, review the remuneration system in time according to the operating conditions and relevant law and regulations in order to seek a balance between the Company’s sustainable operation and risk control.

(3)The Company’s remuneration policy is to have the Company’s financial status, operating results, and future fund needs considered for an overall planning; also, future risk assessment is also taken into consideration in order to minimize the possibility of risk occurrence.

#### IV. Corporate Governance

##### (I) Operation of the board of directors

The Company had 8 meetings of the board of directors held in 2019 and the attendance of the directors and supervisors is as follows:

Title	Name	Actual attendance (times)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
Chairman	Nidec Corporation Representative: Junichi Nagai	7	0	100%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Vice Chairman	Yo Chang Investment Co., Ltd. Representative: Shih-Ling Wu	8	0	100%	January 29, 2019 Re-elected at the extraordinary shareholders' meeting
Director	Yo Chang Investment Co., Ltd. Representative: Ta-Chi Kuo	3	2	37.5%	January 29, 2019 Re-elected at the extraordinary shareholders' meeting
Director	Nidec Corporation Representative: Masashi Takao	7	0	100%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Director	Nidec Corporation Representative: Kazuhito Kaise	7	0	100%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Director	Nidec Corporation Representative: Mitsuru Tsuyoshi	6	1	85.71%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Director	Nidec Corporation Representative: Hidetoshi Matsuhashi	6	0	85.71%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Independent Director	Ke-Wei Hsu	7	0	100%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Independent Director	Ya-Ping Chiang	8	0	100%	January 29, 2019 Re-elected at the extraordinary shareholders' meeting
Supervisor	Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen	7	0	87.50%	January 29, 2019 Re-elected at the extraordinary shareholders' meeting
Supervisor	Isao Takahashi	6	0	85.71%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Director	Chien-Hung Wu	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Director	Yi-Chang Wu	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Director	Yen-Ling Tseng	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Director	Pei-Hua Chen	0	0	0%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting

Title	Name	Actual attendance (times)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
Director	Yo Chang Investment Co., Ltd. Representative: Ya-ting Lee	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Independent Director	Chen-Chien Wu	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Supervisor	Yu-Tzu Chang	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Supervisor	Yi Cen Investment Co., Ltd. Representative: Han-cheng Chang	1	0	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting

Other relevant information:

I. The board of directors in any of the following situations shall clearly describe the board meeting date, term, content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act

Date of Board Meeting	The content of proposal and resolution results
The 8th meeting of the 16th term January 3, 2019	Proposals: •Amend the Company's "Regulations of Governing the Related Party Transactions." • The amount of year-end bonus for the Company's directors and managerial officers and the principle of year-end bonus for all employees.
	Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.
The 1st meeting of the 17th term January 29, 2019	Proposals: •Appointment of members of the 5th Remuneration Committee of the Company. • It is proposed to appoint the Vice Chairman of the Company to serve as the "Chief Administration Officer, CAO."
	Opinions of the independent directors: In regard of appointing the members of the 5th Remuneration Committee of the Company, two independent directors are the stakeholders and have taken recusal; there were no objections or reservations to the remaining proposals. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.
The 2nd meeting of the 17th term March 8, 2019	Proposals: •Changed the CPAs for the Company's 2019 financial statements (due to the internal adjustment of the accounting firm) •Amend the Company's "Procedures for the Acquisition or Disposal of Assets."
	Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.
The 3rd meeting of the 17th term May 9, 2019	Proposals: •Amend the Company's "Procedure for Loaning of Funds."
	Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.

Title	Name	Actual attendance (times)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
The 5th meeting of the 17th term August 8, 2019	Proposals: •The distribution of directors and supervisors' compensation as well as the employee compensation for the managerial officers in 2018.				
	Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.				
The 7th meeting of the 17th term December 9, 2019	Proposals: •Amend the Company's internal control system of "Procurement and Payment Cycle." • The Company proposes to invest in Vietnam.				
	Opinions of the independent directors: No objection or reservation. The opinions of independent directors handled by the company: Not applicable. Resolution results: Passed by the attending directors unanimously after being consulted by the Chairman.				

(II) Any other documented objections or reservations raised by independent director against board resolutions in relation to matters other than those described above: None.

II. For the recusal taken by the directors for the proposal with a conflict of interest, the name of directors, the content of the proposal, the reason for taking recusal, and the participation in voting should be detailed:

(I) Date of Board meeting: January 3, 2019 (the 8th meeting of the 16th term)

1. Contents of proposal: Passed the review for the list of nominees of Company's Director (including Independent Director) and Supervisors.
2. Directors who take a recusal: Shih-Ling Wu and Ya-Ping Chiang.
3. Reasons for taking a recusal and participation in voting: The aforementioned two directors were candidates (nominees) for the election of the 17th term director and independent director. They had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The Acting Chairman consulted the opinions of all the other directors present at the meeting and then the proposal was passed unanimously.

(II) Date of Board meeting: January 3, 2019 (the 8th meeting of the 16th term)

1. Contents of the proposal: The proposal of the amount of year-end bonus for the Company's directors and managerial officers and the principle of year-end bonus to be distributed to all employees was passed.
2. Directors who take a recusal: Shih-Ling Wu, Ta-Chi Kuo, Chien-Hung Wu, and Yi-Chang Wu
3. Reasons for taking a recusal and participation in voting: Since the proposal involving the year-end bonus of the directors who are also managerial officers in 2018 and the year-end remuneration of the Chairman. The aforementioned four directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The Acting Chairman consulted the opinions of all the other directors present at the meeting and then the proposal was passed unanimously.

(III) Date of Board Meeting: January 29, 2019 (the 1st meeting of the 17th term)

1. Contents of the proposal: Passed the appointment of the members of the Company's 5th Remuneration Committee.
2. Directors who take a recusal: Ke-Wei Hsu and Ya-Ping Chiang.
3. Reasons for taking a recusal and participation in voting: The aforementioned two directors were candidates (nominees) for the election of the 5th term Remuneration Committee members. They had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The Chairman consulted the opinions of all the other directors present at the meeting and then the proposal was passed unanimously.

(IV) Date of Board Meeting: January 29, 2019 (the 1st meeting of the 17th term)

1. Contents of the proposal: Passed the appointment of the Vice Chairman of the Company to serve concurrently as the "Chief Administration Officer, CAO."
2. Directors who take a recusal: Shih-Ling Wu.
3. Reasons for taking a recusal and participation in voting: The aforementioned director was a candidate (nominee) for the election of the "Chief Administration Officer, CAO," who had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The Chairman consulted the opinions of all the other directors present at the

Title	Name	Actual attendance (times)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
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meeting and then the proposal was passed unanimously.

(V) Date of Board Meeting: August 8, 2019 (the 5th meeting of the 17th term)

1. Contents of the proposal: Passed the Company's 2018 directors and supervisors' compensation as well as the employee compensation for the managerial officers.
2. Directors who take a recusal: Shih-Ling Wu, Ta-Chi Kuo and Ya-Ping Chiang.
3. Reasons for taking a recusal and participation in voting: Since the proposal involving the directors' compensation of the aforementioned directors in 2018 and the employee compensation for whom also serve as managerial officers in 2018, the aforementioned three directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The Chairman consulted the opinions of all the other directors present at the meeting and then the proposal was passed unanimously.

III. The self-evaluation (or peer evaluation) of the board of directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	Performance evaluation of the board of directors for the period from January 1, 2019 to December 31, 2019.	1. Overall board performance evaluation 2. Performance evaluation of individual directors	Both assessments are self-assessed by board members	<ol style="list-style-type: none"> <li>1. Overall board performance evaluation               <ol style="list-style-type: none"> <li>A. Degree of participation in the company's operations</li> <li>B. Improve the decision-making quality of the board of directors.</li> <li>C. The composition and structure of the board of directors</li> <li>D. Selection and continuous education of directors</li> <li>E. Internal Control</li> </ol> </li> <li>2. Performance evaluation of individual directors               <ol style="list-style-type: none"> <li>A. Mastering company goals and tasks</li> <li>B. The cognition of Director's responsibilities</li> <li>C. Degree of participation in the company's operations</li> <li>D. Internal relationship management and communication</li> <li>E. Director's professional and continuous education</li> <li>F. Internal Control</li> </ol> </li> </ol>

IV. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (for example, the establishment of an Audit Committee, the improvement of information transparency, etc.) and the assessment of implementation:

- (I) The Company has not setup an Audit Committee. The board of directors is operated in accordance with law and regulations, the company's Articles of Association, and the resolutions of the shareholder meeting. All directors, in addition to having the professional knowledge, skills, and competence needed for performing their duties, are based on the principle of loyalty, integrity, and due diligence to create maximum benefit for all shareholders. The Company's Audit Committee is expected to be setup in 2022.
- (II) Safeguard the rights and interests of shareholders with the good practice of business operations and information transparency; also, disclose relevant information, such as, important resolutions of the board of directors on the company's website.



Title	Name	Actual attendance (times)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
(III)	In order to substantiate corporate governance and strengthen the efficient operation of the board of directors, the Company's board of directors had resolved on December 24, 2015 to formulate the "Regulations Governing the Performance Evaluation of the Board of Directors." The Company's board performance evaluation is conducted regularly every year. It was amended as "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee" subsequently in accordance with the updated law and regulations, which was resolved and approved by the board of directors on January 14, 2020. The 2019 performance evaluation of the Board of Directors and Functional Committee was completed in January 2020. The scores of three self-evaluations were all above 90 points (converted and presented in a percentage concept). The performance evaluation results had been reported to the board of directors of the Company on March 25, 2020.				
(IV)	The Company arranges for the CPAs to meet with the independent directors and supervisors at least once a year. If there are major changes in accounting standards and amendments made to law and regulations, the Company invites CPAs to discuss with the board of directors and respond to the professional issues raised by directors. The internal audit supervisor communicates with the independent directors and supervisors regularly every 6-month. The independent directors and supervisors check the audit report. They will inquire or inform the audit supervisor by e-mail or phone call to ask questions or give instructions, if any, and a good communication is in place.				

Note: The Company had held 8 board meetings in 2019. For the directors and supervisors who were newly-elected in the extraordinary shareholders' meeting on January 29, 2019, they should attend 7 board meetings, the re-elected directors and supervisors should attend 8 board meetings, and the dismissed directors and supervisors should attend 1 board meeting. The calculation of attendance rate is based on the number of meetings to be attended by the directors and supervisors.

- (II) The operation of the Audit Committee or the participation of the supervisors in the board meetings:
1. The operation of the Audit Committee: The Company has not setup an Audit Committee.
  2. Supervisor's participation in the board meetings:  
The Company had 8 board meetings held in the last year (2019) with the attendance of the supervisors as follows:

Title	Name	Actual attendance (times)	Actual attendance rate (%)	Remarks
Supervisor	Yi Cen Investment Co., Ltd. Representative: Chun-Yu Yen	7	87.50%	January 29, 2019 Re-elected at the extraordinary shareholders' meeting
Supervisor	Isao Takahashi	6	85.71%	January 29, 2019 Newly elected at the extraordinary shareholders' meeting
Supervisor	Yu-Tzu Chang	1	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting
Supervisor	Yi Cen Investment Co., Ltd. Representative: Han-cheng Chang	1	100%	January 29, 2019 Dismissed at the extraordinary shareholders' meeting

Other Relevant Information:

I. Assembly and obligations of the supervisors:

(I) Supervisors' communicating with employees and shareholders:

1. Supervisors are invited to participate in Board Meetings, where they may develop a better understanding of the Company's operations, communicate with attending Directors and the management, and offer appropriate guidance and supervision.
2. Supervisors may communicate with employees directly whenever deemed necessary.
3. The supervisor attends the shareholder meeting to increase interaction with shareholders and, if necessary, can respond to shareholders' questions or suggestions.

(II) Communication between Supervisors and Internal Auditors and CPAs:

1. The Chief Internal Auditor presents the Audit Report and Tracking Report of the last month to Independent Directors and Supervisors on a monthly basis. The Chief Internal Auditor is called to report audit operation in the Board Meetings on a quarterly basis, and communicates with Independent Directors and Supervisors on audit tasks once every six months. In addition, independent directors and supervisors while checking the audit report will inquire or inform the audit supervisor by e-mail or phone call to ask questions or give instructions, if any, and a good communication is in place. The communications of the internal audit supervisor in 2019 are summarized as follows:

<b>Date of communication</b>	<b>Meeting process</b>	<b>Key Points of Communication</b>	<b>Communication results</b>
January 3, 2019	Board of Directors	Audit implemented Report in December, 2018	Independent directors and supervisors had no opinions and no suggestions.
March 8, 2019	Symposium with independent directors and supervisors	The 2018 Internal Control Self-evaluation and Implementation of Auditing Plan (including subsidiaries)	1.Continuously follow-up on the improvements for the internal control self-assessment matters. 2.Follow-up on the improvements for the deficiencies on a quarterly basis.
March 8, 2019	Board of Directors	Audit implemented Report in January ~ February, 2019	Independent directors and supervisors had no opinions and no suggestions.
May 9, 2019	Board of Directors	Audit implemented Report in March ~ April, 2019	Independent directors and supervisors had no opinions and no suggestions.
June 24, 2019	Board of Directors	Audit implemented Report in May, 2019	Independent directors and supervisors had no opinions and no suggestions.
August 8, 2019	Board of Directors	Audit implemented Report in June ~ July, 2019	Independent directors and supervisors had no opinions and no suggestions.
November 11, 2019	Board of Directors	Audit implemented Report in August ~ October, 2019	Independent directors and supervisors had no opinions and no suggestions.
December 9, 2019	Symposium with independent directors and supervisors	1.Follow-up on the improvements for the deficiencies in the last audit report. 2.The implementation of J-SOX internal control system	Independent directors and supervisors had no opinions and no suggestions.
December 9, 2019	Board of Directors	Attend meeting to answer questions.	Independent directors and supervisors had no opinions and no suggestions.

2. CPAs pay regular visits to the Company and meet up with the Directors and Supervisors alone for discussion at least once a year. If there are major changes in accounting standards and amendments made to law and regulations, the Company invites CPAs to discuss with the board of directors and respond to the professional issues raised by directors. The communications with the CPAs in 2019 is summarized as follows:

<b>Date of communication</b>	<b>Meeting process</b>	<b>Key Points of Communication</b>	<b>Communication results</b>
January 8, 2019	Symposium	1. Auditor's Responsibilities and Independence Requirements 2. 2018 Financial Statements Review Plan	Independent directors and supervisors had no opinions and no suggestions.
December 27, 2019	Symposium with independent directors and supervisors	Communicate Key Audit Matters concerning the 2019 financial statements and the audit method	Independent directors and supervisors had no opinions and no suggestions.
December 27, 2019	Symposium	1. Communicate with the governance unit before the auditing of the 2019 financial statements, and explain the CPAs' duties and independence. 2. The schedule planning, Key Audit Matters, and audit methods are described in the audit plan for the 2019 financial statements. 3. Explain that public companies should complete their financial statements by themselves.	Independent directors and supervisors had no opinions and no suggestions.

II. If the supervisor at the board meeting has made a statement, the board meeting date, term, content of the proposal, the resolutions of the board of directors, and the company's handling of the opinions of supervisors shall be stated:

No such incident occurred when the supervisor of the Company attended the 2019 board meetings.

Note: The Company had held 8 board meetings in 2019. For the supervisors who were newly-elected in the extraordinary shareholders' meeting on January 29, 2019, they should attend 7 board meetings, the re-elected supervisors should attend 8 board meetings, and the dismissed supervisors should attend 1 board meeting. The calculation of attendance rate is based on the number of meetings to be attended by the supervisors.

(III) The corporate governance operation and its difference from the “Corporate Governance Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause:

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	√		In order to establish a good corporate governance system, the Company has formulated the “Corporate Governance Best Practice Principles” and has the Principles disclosed on the Company’s website and Market Observation Post System for inquiry.	There is no noticeable discrepancy
II. Shareholding structure and shareholders’ equity				
(I) Has the company formulated internal operating procedures to deal with shareholders’ proposals, inquiries, disputes, and lawsuits, and implement them in accordance with the procedures ?	√		(I) In addition to the stock agency, the Company has a spokesperson and an acting spokesperson delegated to act. The stock unit handles shareholders’ suggestions, doubts, disputes, and litigation matters, and responds appropriately. When necessary, the Company’s legal counsels and lawyers are commissioned to handle. In addition, the Company’s website is designated with an “interested parties” section available for investors (shareholders) to present suggestions or questions.	There is no noticeable discrepancy
(II) Has the company had a register of major shareholders who have controlling power over the company with ultimate control over those major shareholders ?	√		(II)The Company observes the shareholdings of directors, supervisors, managerial officers, and shareholders with 10% shareholding or more, and acknowledges the list of major shareholders and their ultimate controllers through the register of shareholders.	
(III) Has the company established and implemented the risk control and firewall mechanisms with affiliated companies ?	√		(III)The Company has the “Regulations Governing Related Party Transactions” and “Regulations Governing Subsidiary Supervision and Management” to clearly define the duties and responsibilities of the Company and affiliated companies, and builds appropriate firewalls based on risk assessment for continuous implementation and control.	

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
(IV) Has the company established internal policies that prohibit insiders using non-published information to trade securities ?	√		(IV)The Company has formulated the “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors, and Managerial Officers,” “Procedures for Handling Material Inside Information and Prevention of Insider Trade,” and “Procedures for Ethical Management and Guidelines for Conduct” in place to prohibit insiders using non-published information to trade securities.	
III. Assembly and obligations of the Board of Directors (I) Has the Board based on the composition of the members to plan and implement diversified policies ?	√		(I) The Company has stipulated the board director diversification policy in Article 20 of the “Corporate Governance Best Practice Principles.” Taking into account the Company’s business development needs and the shareholding of major shareholders, there are 9 directors appointed, including 2 Independent Directors and 7 Directors; also, all Directors have extensive experience and expertise in the fields of overseas business management, industrial knowledge and technology research and development, corporate strategic planning, finance, accounting, legal affairs, and business management. In addition, the Company attaches importance to the gender equality of the board of directors. There are 2 female directors, accounted for 22% of the board of directors. One more independent director seat is expected when the re-election of the board directors is held in the 2022 shareholder meeting. The implementation of the board directors diversification policy is illustrated as follows:	There is no noticeable discrepancy.

Evaluation items	Actual operation											Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause		
	Yes	No	Summary											
			Title	Diversification items The name of director	Nationality	Gender	Operational judgment/ Business management	Crisis handling/ Leadership	Industry knowledge	Internal market view	Finance and Accounting	Decision-making	Remarks	
			Chairman	Representative of Nidec Corporation: Junichi Nagai	Japan	Male	√	√	√	√	√	√	Good at overseas business management, corporate strategic planning	
			Vice Chairman	Representative of Yo Chang Investment Co., Ltd.: Shih-Ling Wu	Republic of China	Female	√	√	√	√	√	√	Good at corporate strategic planning, finance and business management	
			Director	Representative of Yo Chang Investment Co., Ltd.: Ta-Chi Kuo	Republic of China	Male	√	√	√	√		√	Good at industrial knowledge and technology research and development	
			Director	Representative of Nidec Corporation: Masashi Takao	Japan	Male	√	√	√	√		√	Good at industrial knowledge and technology research and development	

Evaluation items	Actual operation										Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause			
	Yes	No	Summary											
(II) Has the company, in addition to establishing the Remuneration Committees and Audit Committee, voluntarily setup other functional Committees ?	√		Director	Representative of Nidec Corporation: Kazuhito Kaise	Japan	Male	√	√	√	√	√	√	Good at corporate strategic planning and legal affairs	
			Director	Representative of Nidec Corporation: Mitsuru Tsuyoshi	Japan	Male	√	√	√	√	√	√	Good at overseas business management, corporate strategic planning	
Director	Representative of Nidec Corporation: Hidetoshi Matsubishi	Japan	Male	√	√	√	√	√	√	√	Good at finance and business management			
Independent Director	Ya-Ping Chiang	Republic of China	Female	√	√	√	√	√	√	√	Good at accounting affairs Certified Public Accountant			
Independent Director	Ke-Wei Hsu	Republic of China	Male	√	√	√	√			√	Good at legal affairs			
(III) Has the company had the rules governing the performance evaluation of the board of directors	√		(II) The Company has setup a Remuneration Committee. An Audit Committee will be setup when all board directors are re-elected at the end of the current term of office in 2022. The Company will evaluate whether to setup other functional committees depending on future operational needs.											
			(III) The Company’s board of directors had resolved on December 24, 2015 to formulate the “Regulations Governing the											

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director’s remuneration and nomination for re-election ?			<p>Performance Evaluation of the Board of Directors.” The Company’s board performance evaluation is conducted regularly every year. It was amended as “Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee” subsequently in accordance with the updated law and regulations, which was resolved and approved by the board of directors on January 14, 2020. All directors and Remuneration Committee members conducted self-evaluation by three parts, including ”Overall Board Operation,” “Individual Directors,” and “Remuneration Committee Operation”.</p> <p>The self-evaluation questionnaires are distributed to the board directors and Remuneration Committee members to fill out at the end of each year. After having the questionnaires collected, the Chairman’s Office and the Administrative Department respectively count the evaluation results of each measurement index according to the scoring criteria. The measurement index with lower score or the recommendations of the directors and Remuneration Committee members will be reported to the directors and supervisors for future reference in adjustments or enhancing the deliberation of the board of directors / Remuneration Committee. The 2019 performance evaluation of the Board of Directors and Functional Committee was completed in January 2020. The scores of three self-evaluations were all above 90 points (converted and presented in a percentage concept). The performance evaluation results had been reported to the board of directors of the Company on</p>	



Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
(IV) Has the company regularly assessed the independence of the certified public accountant ?	√		<p>March 25, 2020.</p> <p>Regarding the performance evaluation results of the board of directors, it may be referred by the Company at the time of selecting or nominating directors. The performance evaluation results of each board director may be referred to determine his/her remuneration.</p> <p>(IV) The Company regularly evaluates the independence of the attestation CPAs every year. The evaluation criteria are formulated by referring to Article 10 “Integrity, Fairness, Objectivity, and Independence” of the “Code of Professional Ethics,” including: the attestation CPAs shall take a recusal when their fairness and independence are affected by the commissioned matters due to a conflict of interest; the audit service members, other jointly practiced CPAs, CPA Firm, and affiliated companies of the CPA Firm shall be independent from the Company; the commissioned CPAs should be independent at the time of appointment without having their fairness and objective position compromised; the CPAs’ independence is not affected by self-interest, self-evaluation, defense, familiarity, and coercion, for example: there is no significant financial interest relationship / close business relationship / potential employment relationship between the CPAs and the Company, no financing or guarantees made between the Company and the directors or supervisors; Audit service members have not held the positions of directors, supervisors, or managerial officers of the Company or have significant influence on audits currently or in the last two years; not advertising or brokering the stocks or</p>	

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			<p>securities of the Company, not serving as the a defender of the Company; the CPAs or audit service members are not a relative of the Company’s directors, supervisors, managerial officers, or persons who have a significant influence on the audits, and not received valuable gifts or presents from the Company or directors, supervisors, and managerial officers; the CPAs do not accept the management’s improper choices in accounting policies or improper disclosure in financial statements.</p> <p>The Company’s board of directors resolved the appointment of the attestation CPAs on March 25, 2020 for the 2020 financial statements and the independence evaluation of the attestation CPAs. The attestation CPAs after the evaluation completed are concluded complying with the Company’s independence evaluation criteria; also, the Declaration of Independence is collected from the attestation CPAs.</p>	
IV. Do the TWSE/TPEX-Listed Companies have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to law, producing minutes of board meetings and shareholders meetings, etc.)?	√		<p>The Chairman’s Office of the Company is responsible for corporate governance related matters, including:</p> <ol style="list-style-type: none"> <li>1. It is the deliberation unit of the board of directors, including consolidating the agenda of the meeting, mailing the meeting notice 7 days in advance to the directors and supervisors with sufficient meeting information provided to facilitate the participants to understand the relevant information of the proposal. If the issues are relevant to the Directors or the legal person represented by the Directors, they should be reminded to enter recusal appropriately in compliance with the law and regulations; also, the minutes of meeting will be issued to the directors and supervisors for reference within 20 days after the</li> </ol>	There is no noticeable discrepancy.

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			<p>meeting.</p> <p>2. Responsible for issuing major information and related announcements after the board meeting or shareholder meeting to ensure the legality and accuracy of the information disclosure; also, to protect the investors’ rights of receiving adequate trading information.</p> <p>3. Handle the pre-registration for the shareholder meeting in accordance with the law and regulations, compile and report the meeting notice, agenda handbooks, annual report, and minutes of the shareholder meeting within the deadline.</p> <p>4. Handle the Company’s insider shareholding change declaration operation and various industrial and commercial change registration matters.</p> <p>5. In order to enhance the operation efficiency of the board, before the end of the first quarter every year, an internal performance evaluation of the operation of the board in the previous year is conducted and the results of the evaluation are reported to the board of directors.</p> <p>6. Handle the contract renewal of the company’s “Directors and Supervisors and Key Staff Liability Insurance” and report the insurance coverage to the board of directors.</p> <p>7. Provide information related to the continuing education to the directors and supervisors occasionally, and arrange relevant courses for foreign directors and supervisors to study at home, so that the directors and supervisors can complete the study hours of the continuing education in accordance with the “Directions for the Implementation of Continuing Education for</p>	

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			<p>Directors and Supervisor of TWSE Listed and TPEX Listed Companies,” and complete the announcement and reporting operation.</p> <p>8. Provide information on the newly announced law and regulations or amendments to board members and supervisors for business practice and corporate governance.</p> <p>9. Review the index items of the corporate governance evaluation, and propose improvement plans or countermeasures for the un-scored indexes.</p> <p>10. Provide Company business or financial and other operational information upon the request of the directors and supervisors, and maintain smooth communication between the directors and the management.</p>	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), setup a stakeholder section on the company’s website, and properly responded to important corporate social responsibility issues of concern to stakeholders ?	√		The Company has a spokesperson and an acting spokesperson to communicate with stakeholders, and provides a spokesperson, acting spokesperson, and business (product) contact window and e-mail mailbox on the company website. In addition, there is a “stakeholder section” under the corporate social responsibility on the Company website to properly respond to the concerns of stakeholders 【employees, customers, investors (media), suppliers, and competent authorities, a total of five categories】 , and a smooth communication channel in place.	There is no noticeable discrepancy
VI. Does the company appoint a professional stock agency to handle the shareholder meeting related matters ?	√		The Company has commissioned the Stock Service Department of Yuanta Securities to handle Shareholders’ Meeting related affairs.	There is no discrepancy

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
<p>VII. Information disclosure</p> <p>(I) Has the company setup a website to disclose financial business and corporate governance information ?</p> <p>(II) Has the company adopted other information disclosure methods (such as, setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the institutional investor conference on the company website, etc.) ?</p> <p>(III) Has the company published and reported the annual financial report within two months after the end of the fiscal year, and published and reported the financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>√</p> <p>√</p>	<p>√</p>	<p>(I) The Company has a company website (www.ccic.com.tw) setup to disclose financial business and corporate governance information; also, to update information occasionally for investors to access</p> <p>(II) The Chairman’s Office and relevant responsible departments jointly collect and disclose information on the Company’s website. It has setup the “Procedures for Handling Material Inside Information and Preventing Insider Trade,” implemented the spokesperson system, and disclosed the relevant institutional investor conference information on Market Observation Post System and the Company’s website in order to improve the information transparency of the company.</p> <p>(III) The Company announces and declares annual financial reports, quarterly financial reports, and monthly operating conditions in accordance with the time limit prescribed by law and regulations, and will evaluate the feasibility of early announcements in the future based on internal operating procedures.</p>	<p>There is no noticeable discrepancy. In addition, the feasibility of early announcement and declaration of annual financial statements, quarterly financial statements, and monthly operating conditions in the future will be evaluated based on internal operating procedures.</p>
<p>VIII. Has the company had other important information to help understand the operation of corporate governance (including but not limited to the employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors,</p>	<p>√</p>		<p>(I)Employee rights and employee care: Please refer to the Company’s 2019 annual report “V. Labor Relation of Five. Operation Overview.”</p> <p>(II)Investor relations, supplier relations, and rights of stakeholders: The Company has formulated the “Corporate Governance Best Practice Principles,” “Regulations Governing Supplier</p>	<p>There is no noticeable discrepancy</p>

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause														
	Yes	No	Summary															
implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance acquired by the company for directors and supervisors, etc.) ?			<p>Evaluation,” “Corporate Social Responsibility Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and other corporate social responsibility related regulations to implement and promote corporate governance. Please refer to “(V) The corporate social responsibility operation and its difference from the “Corporate Social Responsibilities Best Practice Principles for the TWSE/TPEX Listed Companies, and the root cause, IV. Corporate Governance Operation, Three. Corporate Governance Report” in the Company’s 2019 annual report for additional information.</p> <p>(III)The continuing education of Directors and Supervisors: The total hours of continuing education for all directors and supervisors of the Company in 2019 was 123 hours. The information on the continuing education is listed as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of continuing education</th> <th>Organizer</th> <th>Course title</th> <th>Hours of continuing education</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Junichi Nagai</td> <td rowspan="2">2019/11/04</td> <td rowspan="2">Securities and Futures Institute</td> <td>How do board directors and supervisors without finance and accounting background review financial statements and price transfer issues</td> <td>3 hours</td> </tr> <tr> <td>The process and purpose of amendments to the Company Act and the key amendments made to the Company Act</td> <td>3 hours</td> </tr> </tbody> </table>	Title	Name	Date of continuing education	Organizer	Course title	Hours of continuing education	Chairman	Junichi Nagai	2019/11/04	Securities and Futures Institute	How do board directors and supervisors without finance and accounting background review financial statements and price transfer issues	3 hours	The process and purpose of amendments to the Company Act and the key amendments made to the Company Act	3 hours	
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			<p>and realizes prevention at all levels in order to effectively implement risk management.</p> <p>Based on the compilation of the “Operational Risk Identification and Corresponding Risk and Opportunity Form,” assess the impact on the business operations according to the severity and frequency of occurrence. If the impact is severe, it must be dealt with the strategic solutions adopted in order to minimize its influence. The Company has collected 34 risk issues in the latest issue (beginning of 2020), of which, 4 risks were concluded to be severe with the countermeasures and action plans proposed in order to reduce operational risks and grasp possible opportunities (business opportunities).</p> <p>(V) The implementation of customer policy: The Company takes integrity, innovation, and mutual benefit as its business philosophy, and provides excellent products, on-time delivery, and ethical management as its customer management policy. The practice of customer policy has been reflected in the company’s operational performance.</p> <p>(VI) The liability insurance purchased by the company for directors and supervisors: The Company had acquired “liability insurance for directors, supervisors, and key staff” for a coverage of US\$3 million in 2019, which was not yet expired as of the publication date of the annual report, but will be expired at the end of May. The Company will complete the renewal operation before the policy expires, and will report the important content of the liability insurance to the board of directors.</p>	

IX. Please explain the improvements made based on the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	

Exchange in the most recent year, and propose prioritized enhancements and measures for those that have not being improved. (The company that is not included for evaluation is exempted from providing such information.)

The 6th Corporate Governance Evaluation Index that has been improved		
Index number	Index items	Improvement method
1.8	Has the company had the annual report uploaded 14 days before the regular shareholder meeting?	The Company has the 2019 annual report uploaded 14 days before the shareholder meeting.
2.4	Are there not more than two directors of the company with a relationship of being a spouse or a relative within the 2nd degree of kinship?	After all the directors and supervisors were elected at the special shareholder meeting on January 29, 2019, the current directors meet the requirement that not more than two directors with a relationship of being a spouse or a relative within the 2nd degree of kinship.
2.20	Are there at least two independent directors attending each board meeting?	The Company had held a total of 8 board meetings in 2019 with two independent directors attending each board meeting, in other words, a 100% attendance rate of the independent directors.
2.25	Do the independent directors of the company complete the continuing education in accordance with the hours specified in the “Directions for the Implementation of Continuing Education for Directors and Supervisor of TWSE Listed and TPEX Listed Companies?” 【If all directors and supervisors complete the continuing education in accordance with the Directions, 1 additional point will be added to the total score.】	The total hours of continuing education for all directors and supervisors of the Company in 2019 was 123 hours, including 7 new recruits completing 12 hours of continuing education per person and 4 current employees completing at least 6 hours of continuing education per person. Since the new recruits include 6 Japanese directors and supervisors, in order to help the Japanese directors and supervisors understand the relevant financial supervisory law and regulations in Taiwan, the Securities & Futures Institute has been contacted to arrange continuing education at home. The course is taught by the instructors who are CPAs and attorneys fluent in Japanese, English, and Mandarin; also, the course is lectured in Japanese with a purpose to minimize the gap in language expression and

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
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			communication, so that Japanese directors and supervisors can fully understand the relevant regulations of listed companies in Taiwan and the responsibilities and obligations of the directors and supervisors. The two independent directors had completed 12 hours and 18 hours of continuing education in 2019.	
3.17	Is the information related to finance, business, and corporate governance disclosed on the company’s website?		The Company has disclosed the 2019 relevant information on finance, business, and corporate governance on the company’s website to facilitate investors to check and gain understanding.	
4.15	Is the ethical corporate management policy disclosed on the company’s website or annual report; also, is specific practice and plan for preventing unethical conduct specified?		In addition to having the 2019 ethical corporate management policy disclosed on the company’s website, the internal and external education, training, or propaganda related to ethical corporate management issues held by the company in the year should be specifically disclosed on the company’s website to facilitate investors to check.	

The 6th Corporate Governance Evaluation Index that has not yet been improved and should be improved with priority		
Index number	Index items	Improvement method
1.9	Has the company uploaded the meeting notice in English 30 days before the regular shareholder meeting?	The company will upload the meeting notice in English 30 days before the 2020 regular shareholders meeting.
1.10	Has the company uploaded the agenda handbooks and supplementary meeting data in English 30 days before the regular shareholder meeting?	The Company will upload the agenda handbooks and supplementary meeting data in English 30 days before the 2020 regular shareholder meeting.
1.11	Has the company uploaded the annual report in English 7 days before the regular shareholder meeting?	The Company will upload the annual report in English 7 days before the shareholder meeting.
2.11	Has the company disclosed in the annual report the reasons for the discussion and resolution of the	The Company will disclose the discussion and resolution of the Remuneration Committee and the handling of the opinions of the members

Evaluation items	Actual operation			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
	Remuneration Committee and the company’s handling the opinions of the members?			in the 2019 Annual Report.
2.17	Has the board of directors regularly (at least once a year) evaluated the independence of the attestation CPAs and disclosed the evaluation procedures in the annual report of the Company?			The Company will disclose in detail the evaluation procedures for the independence of CPAs in the 2019 annual report.
3.5	Is the annual report in English disclosed on the Market Observation Post System 7 days before the regular shareholder meeting? 【If it is a compiled voluntarily, one additional point will be added to the total score.】			The Company will upload the annual financial report in English 7 days before the shareholder meeting.

(IV) The composition and operation of the Remuneration Committee:

The composition, qualification, and attendance of the Company's Remuneration Committee are listed as follows:

1. Remuneration Committee Members profile

Identity	Name	Qualifications	With or without more than 5 years of work experience and the following professional qualifications		Meet the independence situation (Note)										Serving as a member of the Remuneration Committee of other public companies	Remarks
			An instructor or higher 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	Judge, Prosecutor, Lawyer, Accountant, or Holder of National Exam or Professional Qualification Relevant to the Company's Operations	Have work experience in the area of commerce, law, finance, accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9		
Independent Director	Ya-Ping Chiang		√	√	√	√	√	√	√	√	√	√	√	√	0	None
Independent Director	Ke-Wei Hsu			√	√	√	√	√	√	√	√	√	√	0	None	
Others	Ching-Pei Huang		√	√	√	√	√	√	√	√	√	√	√	1	None	

Note: Each member who meets the following conditions in the two years before and during their tenure of office, please mark "√" in the space below each condition code.

- (1) Not employed by other companies or any of their affiliated companies.
- (2) Not a Director or Supervisor of the company or any of the affiliated companies (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the principal's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
- (5) Not a director, supervisor, or employee (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary) of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, is ranked in the top 5 in shareholding, or designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other companies that are controlled by the person who also controls the majority of the Company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (7) Not a director (or governor), supervisor, or person holding an equivalent position of the Company and that person in any of those positions at another company or institution are the same person or are spouses (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding 5% or more of the shares



of a specified company or institution that has a financial or business relationship with the Company (if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with this Act or with the law of the country of the parent or subsidiary).

- (9) Not a professional individual who, or an owner, partner, director (or governor), supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or its affiliates, or that provides commercial, legal, financial, accounting or related services to the Company or its affiliates for which the provider in the last 2 years has received accumulative compensation less than NT\$500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Consolidation and Acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.
- (10) There is not any circumstance as stated in Article 30 of the Company Act.

## 2. Remuneration Committee operations

(1)The Company's Remuneration Committee is with 3 members.

(2)The term of the committee members is from January 29, 2019 to January 28, 2022.

There were 4 meetings of the Remuneration Committee held in the most recent year (2019) with the attendance record of the members as follows:

Title	Name	Number of attendance in person	Proxy Attendance	Attendance-in-person Rate (%)	Remarks
Convener	Ya-Ping Chiang	4	0	100%	Member re-appointed by the Board on January 29, 2019
Member	Ke-Wei Hsu	3	0	100%	Member newly appointed by the Board on January 29, 2019
Member	Ching-Pei Huang	4	0	100%	Member re-appointed by the Board on January 29, 2019
Convener	Chen-Chien Wu	1	0	100%	Dismissed on January 29, 2019

### Other Relevant Information:

- I. If the suggestions of the Remuneration Committee are not adopted or amended by the board of directors, please describe the board meeting date, term, content of the proposal, the resolution of the board of directors, and how the company handles the proposal of the Remuneration Committee (if the remuneration resolved by the board of directors is superior to the suggestion made by the Remuneration Committee, please describe the differences and reasons, if any): None of such incident occurred in the current year.
- II. In regard of the resolutions of the Remuneration Committee, is any member has his/her objection or reservation opinion raised and recorded in writing, please describe the Remuneration Committee meeting date, term, content of the proposal, the opinions of all members, and the handling of the members' opinions: None of such incident occurred in the current year.
- III. The proposal for discussion and resolutions of the Remuneration Committee in the most recent year, and the company's handling of the committee's opinions:

Remuneration Committee meeting date	Proposal for discussion and resolutions
The 3rd meeting of the 4th term January 3, 2019	<p>Proposals: •The appointment of the key operating managers and his/her remuneration and benefit package.</p> <ul style="list-style-type: none"> <li>• The scope of the managerial officers whose remuneration need to be proposed by the Remuneration Committee.</li> <li>• Formulate the Company's 2019 remuneration payment principle for directors, supervisors, and managerial officers.</li> <li>• The year-end bonus amount distributed to the Company's directors and managerial officers, and the year-end bonus distribution principle for the employees.</li> </ul> <p>The opinions of the members: No objections or reservations.</p> <p>Resolution results: Passed by the attending members unanimously after being consulted by the Chairman.</p> <p>The opinions of the Remuneration Committee members handled by the company: It is presented to the board of directors and is approved by the attending board directors unanimously.</p>
The 1st meeting of the 5th term March 8, 2019	<p>Proposals: •The appointment of the convener of the 5th Remuneration Committee.</p> <ul style="list-style-type: none"> <li>• The proposal of reviewing the directors and supervisors' compensation and employees' compensation (proposed amount) in 2018.</li> </ul>

	<p>The opinions of the members: No objections or reservations.</p> <p>Resolution results: The committee member, Ya-Ping Chiang, is elected to be the convener and chairman of the Remuneration Committee for the current term. The remaining proposals were passed by the attending members unanimously after being consulted by the Chairman.</p> <p>The opinions of the Remuneration Committee members handled by the company: It is presented to the board of directors and is approved by the attending board directors unanimously.</p>
The 2nd meeting of the 5th term August 8, 2019	<p>Proposals: •The distribution of the directors and supervisors' compensation and employees' compensation for managerial officers in 2018.</p> <p>•The recruitment of the Assistant Vice President and his/her remuneration and benefit package</p>
	<p>The opinions of the members: No objections or reservations.</p> <p>Resolution results: Passed by the attending members unanimously after being consulted by the Chairman.</p> <p>The opinions of the Remuneration Committee members handled by the company: It is presented to the board of directors and is approved by the attending board directors unanimously.</p>
The 2nd meeting of the 5th term November 11, 2019	<p>Proposals: •The appointment of the Company's Vice President.</p>
	<p>The opinions of the independent members: No objections or reservations.</p> <p>Resolution results: Passed by the attending members unanimously after being consulted by the Chairman.</p> <p>The opinions of the Remuneration Committee members handled by the company: It is presented to the board of directors and is approved by the attending board directors unanimously.</p>

Note: The Company had held 4 remuneration committee meetings in 2019. For the members who were newly-appointed in the board of directors meeting on January 29, 2019, they should attend 3 remuneration committee meetings, the re-appointed members should attend 4 remuneration committee meetings, and the dismissed members should attend 1 remuneration committee meeting. The calculation of attendance rate is based on the number of meetings to be attended by the members.

(V) The corporate social responsibility operation and its difference from the “Corporate Social Responsibilities Best Practice Principles for the TWSE/TPEX Listed Companies,” and the root cause:

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
I. Has the company conducted risk assessments on environmental, social, and corporate governance issues related to the company’s operations, and formulated relevant risk management policies or strategies based on the principle of materiality?	√		<p>(I) Environmental Protection</p> <p>The Company is a professional designer and manufacturer of electronic information product heat dissipation / heat transfer components. In order to fulfill corporate social responsibility and reduce the impact on the environment during production and operation, the Company has adopted the environment management system (ISO14001) and occupational safety and health management system (ISO45001) to reduce the adverse impact on the environment, and continue to actively implement energy saving and carbon reduction policies, strengthen employees’ environmental awareness, and improve the efficiency of various resources consumption.</p> <p>The Company has setup an Environmental Safety and Health Committee. The company has based on the “Procedures for Environmental Safety and Health Risk Investigation” and “Procedures for Environmental Safety and Health Risk and Opportunity Identification” to screen major risks and opportunities in environmental issues, and then formulate environmental safety and health goals And policies, as a plan for the improvement of the Company’s environmental safety and health management system in order to achieve environmental safety and health management performance and continue to meet the requirements of environmental</p>	There is no noticeable discrepancy

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			<p>safety and health management standards.</p> <p>(II) Product Liability  The Company has setup the “Regulations Governing Supplier Environmental Safety and Health Investigation.” The purchase of raw materials is targeting on those with environmental characteristics (such as: RoHS compliance), environmental protection strategies (such as: providing waste solvent recovery services, equipment equipped with pollution prevention, etc.) and environmental protection process. In addition, the Company’s environmental substance task force regularly revises the “Hazardous Substance Free (HSF) Management Code” by referring to the relevant regulations to request the suppliers to sign the “Environmental Protection Declaration,” to issue a material safety data sheet (MSDS) or material certification and test reports notarized by a third-party in order to ensure that the materials, parts, components, packaging materials, and indirect materials used in the production and maintenance process provided by the supplier in conformity with the international standards and specifications.</p> <p>(III) Labor-management relations  The recruitment is based on the annual manpower need of each department and the manpower plan is arranged accordingly. The company searches for outstanding talents that meet the core values of Chaun Choung Technology Corp.</p>	

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			<p>through multiple recruitment channels. In addition, diversified and international talents are recruited continuously, as well as better employee training plans and performance evaluation systems, along with the participation of the management of Nidec Corporation, the parent company, in order to meet future operational needs and strengthen the company’s competitiveness.</p> <p>(IV) Ethical corporate management and anti-corruption The Audit Office of the Company reports the compliance of the Group’s ethical corporate management lately in the board meeting regularly on a quarterly basis, and assists the Board of Directors and management to assess whether the preventive measures established for implementing ethical corporate management are operated effectively. The Company has setup the “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” and report mailboxes; also, organized education and training courses and regular propaganda for new recruits and current employees in order to implement the policy objectives of ethical corporate management and anti-corruption.</p> <p>(V) Operational response to changes in the international situation The Company always stays aware of the possible impact of changes in the international situation on the Company’s operations. Although the China-US trade war was temporarily</p>	

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			resolved with the preliminary agreement signed in January 2020; however, there remains variables in the development of the second phase of negotiations, which casts a major impact on companies that are with their main production base in China. In order to avoid the impact of changes in the international situation on the company’s operations, the board of directors of the Company has made a resolution to have a major investment in Hanoi of Vietnam and set up a new core production base in order to hedge business operation risks.	
II. Has the company setup a full-time (part-time) unit responsible for promoting corporate social responsibility, and authorized the senior management by the board of directors to handle it and report the handling situation to the board of directors?	√		The responsible departments of the Company are to handle the corporate social responsibility related matters. Understand the operation ad surrounding environment of the company, as well as the needs and expectations of stakeholders, to plan and implement short-, mid-, and long-term business plans in order to achieve the goal of sustainable operation. The President’s Office is responsible for proclaiming the company’s business philosophy and corporate social responsibility and obligations, but has not yet reported the relevant implementation to the board of directors.	There is no noticeable discrepancy. The relevant implemented situation of CSR will be reported to the board of directors depending on operational needs in the future.
III. Environmental issues (I) Has the company established an appropriate environmental management system according to its industrial characteristics?	√		(I) The Company has obtained ISO14001: 2015 environmental management system certification to effectively prevent and control environmental pollution and to improve resource and energy efficiency in use.	There are no major differences. In the future, the company's greenhouse gas

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
(II) Has the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental?	√		(II)The Company under the requirements of ISO14001 environmental management system continues to devote to the design and manufacturing of green products. The purpose is to improve energy efficiency, protect the global environment, and minimize the impact on ecosystem through the use of non-toxic, harmless, and easy to decompose materials, the raw materials supplied by the qualified suppliers, the waste-free or waste-less process, the high-power equipment and recycled materials, and the reuse of recyclable waste.	emissions, water consumption and total weight of waste will be counted according to operational needs.
(III) Has the company assessed the potential risks and opportunities of climate change to the company now and in the future, and taken measures to cope with climate-related issues?	√		(III)Global warming caused by continuous emissions of anthropogenic greenhouse gases is an important factor leading to climate change. Therefore, the Company continues to promote energy-saving and carbon-reduction policies, including the use of energy-saving light fixtures, the gradual replacement of old power-consuming equipment, controlling air conditioning temperature, posting posters and slogans at the elevator to encourage colleagues to use stairs as much as possible within a certain floor. The purpose is to implement and advocate energy-saving and carbon reduction policies and encourage colleagues to save energy. In terms of product production, please refer to aforementioned paragraph (II) for details.	
(IV) Has the company counted greenhouse gas emissions, water consumption and total weight of waste of the last two years, and formulated		√	(IV)The Company for fulfilling the corporate social responsibility is continuously committed to the promotion of energy-saving and carbon reduction policies, and has established the regulations	



Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?			governing wastes to encourage recycling practice in order to achieve the goal of minimizing environmental pollution. The outdated but usable office computer, information equipment, and its peripheral products are donated to the social welfare group for further process. The ecological loading is minimized through resource recycling. As for general and hazardous recyclable waste, there are also related management specifications in place to avoid harming the environment. In addition, after the management of Nidec Corporation, parent company, joined the Company, the 3Q6S management model has been actively promoted. Through voluntarily proposing improvement proposal, in addition to improving operational efficiency, the relevant electricity and water consumption is reduced through colleagues’ voluntary improvement actions, so to help the Company become a low-carbon enterprise with sustainable environmental development.	
IV. Social issues				
(I) Has the company developed the relevant policies and procedures in accordance with laws and the relevant law and regulations and International Bill of Human Rights?	√		(I) The Company follows the Labor Standards Act, Employment Service Act, Act of Gender Equality In Employment, and other relevant law and regulations to formulate internal management regulations, and at the same time has setup the “Corporate Social Responsibility Best Practice Principles” to protect the basic human rights and equities of all employees and stakeholders, and safeguard social welfare.	There is no noticeable discrepancy
(II) Has the company formulated and implemented	√		(II) The Company follows the Labor Standards Act and related	

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
<p>reasonable employee welfare measures (including remuneration, vacations, and other benefits), and appropriately reflected operating performance or results on employee remuneration?</p> <p>(III) Has the company provided employees with a safe and healthy work environment, and provided employees with education regularly on safety and health issues?</p>	√		<p>law and regulations to formulate various remuneration and welfare measures for employees, and clearly states the percentage of net income to be appropriated as employee remuneration in the “Articles of Association.” In addition, define the year-end bonus for employees to be appropriated according to the annual operational performance and profitability of the company in the “Personnel Management Rules,” which shows that the operating performance (results) has been appropriately reflected on employee remuneration.</p> <p>(III) The Company has formulated the “Safety and Health Best Practice Principles” and “Environmental Safety and Health Annual Monitoring Plan.” Ensure that all employees have a safe and healthy working environment by regulating the standard operating procedure for the relatively high-risk works, as well as regular labor operating environment monitoring, drinking water quality testing, fire equipment inspection and repair and maintenance, etc. In addition, strengthen the awareness and implementation of the occupational safety law and regulations of all employees through the labor safety and health training arranged for new recruits and current employees. Also, the company regularly conducts health checks for employees on the job. For workers who are engaging in particularly health hazardous operations, special health checks for specific projects are carried out in accordance with the law and regulations. The Administrative</p>	

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
(IV) Has the company established an effective career development and training program for employees?	√		Department also shares health information with colleagues through e-mails occasionally to help maintain the physical and mental health of colleagues. (IV) The Company has formulated the “Regulations Governing Education and Training.” The internal and external on-the-job education and training program for colleagues is carried out annually in accordance with the “Annual Education and Training Plan” to strengthen their professional knowledge and skills and cultivate their career development capabilities.	
(V) Has the Company with regard to customer health and safety, customer privacy, marketing and labeling of products and services complied with relevant law and regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?	√		(V) The Company has formulated the “Regulations Governing Customer Service” and “Regulations Governing Customer Complaint.” Value the importance of customer opinions. In addition to paying a personal visit, provide a business (product) contact window and e-mail mailbox on the company website. In addition, there is the stakeholder section to take customer questions and to handle customer complaints or suggestions. The Company bases on the principle of ethics to handle and respond issues appropriately in order to protect customers’ interest and rights.	
(VI) Has the company formulated supplier management policies that required suppliers to comply with relevant specification on environmental protection, occupational safety and health, and labor human rights, and the implementation?	√		(VI) The Company has formulated the “Regulations Governing Supplier Evaluation” that requires suppliers to sign the “Supplier Social Responsibility Commitment,” promising to comply with the relevant standards in terms of labor conditions (including occupational safety and health) and human rights management in order to fulfill their corporate social	

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
			responsibility. In addition, suppliers are requested to sign the “Supplier Environmental Safety and Health Requirements Notice” and “Environmental Protection Declaration.” The Company shall work together with suppliers to achieve the policy objectives, such as, committing to green environmental protection and providing products that comply with international standards and regulations (such as, RoHS standards, REACH standards, etc.). For any un-cooperative attitude or violation, the Company will stop buying from the said suppliers and will have them disqualified as a supplier. If there is any loss resulted to the Company under the circumstance, the Company will demand compensation for damages from such suppliers. In addition, the Company also demands suppliers to conduct reasonable due diligence on the supply chain in order to ensure that there are no conflict minerals in the materials provided by the suppliers to Chaun Choung Technology Corp., so as to take responsibility for corporate society, environmental protection, and the practice of international justice.	
V. Has the company had the corporate social responsibility reports and other reports that disclose the company’s non-financial information prepared by referring to the international standards and guidelines for the preparation of a report? Are the		√	The Company has not yet prepared a corporate social responsibility report, but in terms of environmental protection, product liability, labor-management relations, safety and health, and ethical corporate management, the Company has them implemented in the actual operations in accordance with the spirit of performing corporate social responsibility.	The Company has not yet prepared a corporate social responsibility report. The Company will assess whether to

Evaluation criteria	Actual Governance			Difference from the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
aforementioned reports validated and verified by a third-party verification unit?				have it prepared based on operational needs in the future.
<p>VI. If the Company has formulated CSR principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any differences from the Best Practice Principles:  The Company has formulated the “Corporate Social Responsibility Best Practice Principles” to realize the promotion of various corporate social responsibilities. The actual operation situation is not significantly difference from the established Principles.</p>				
<p>VII. Other important information that helps understand the operation of corporate social responsibility:</p> <p>(I) Social Welfare: The Company regularly makes charitable donations to the Mustard Seed Mission. An amount of NT\$1.2 million was donated in 2019. We donate to charity groups to help less fortunate families, children, and elderly people living alone in the community. In addition, the Company also donates outdated but usable computer, information equipment and peripheral components, books, etc. to social welfare groups for further process. The mission of the Company is to fulfill the corporate social responsibility with caring actions taken.</p> <p>(II) Human rights: The Company values the rights and interests of stakeholders, and sets up a stakeholder section on the company’s website to provide a good and convenient communication platform in order to understand the reasonable expectations and needs of stakeholders. Also, regarding the questions, complaints, or recommendations of the stakeholders, each contact window is responsible for listening and bringing relevant issues back to the responsible departments for further response and handling. The information feedback by and interaction with the stakeholders will be referred for adjusting and improving the operating efficiency of the company, and it is the foundation for the sustainable development of the company.</p> <p>(III) Environmental protection: The Company attaches great importance to environmental protection issues and actively implements various energy-saving and carbon-reduction measures, including reducing air conditioners operating hours with an appropriate room temperature settings. Also, purchase new lamps, if any, with electing-efficient light fixtures to gradually replace old power-consuming equipment. Actively promote paperless operation, and save paper use by adopting an e-signature operation internally. In addition, the recycled toner cartridges should be handed over to professional manufacturers for further process. Effectively use resources and make a contribution to ecological protection through a resource recycling operation.</p>				

(VI) The ethical corporate management operation and its difference from the “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies” and the root cause:

Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
I. Establishment of ethical management policy and plan				
(I) Has the company formulated the ethical corporate management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of ethical corporate management, as well as the commitment of the board of directors and senior management to actively implement the management policy?	√		(I) The board of directors of the Company had resolved on July 4, 2011 to have the “Ethical Corporate Management Best Practice Principles” formulated, which was amended on March 25, 2015 due to the changes in the law and regulations according to the resolution of the board of directors; also, such change has been disclosed on Market Observation Post System and the company website( <a href="http://www.ccic.com.tw">www.ccic.com.tw</a> ). The board directors and senior management of the Company have performed business operation based on the concept of ethics in order to fulfill the commitment to an ethical corporate management.	There is no noticeable discrepancy
(II) Has the company established an evaluation mechanism for the risk of unethical conduct, regularly analyzed and evaluated business activities with a high risk of unethical conduct within the business scope, and accordingly formulated a plan to prevent unethical conduct, and at least covered the “preventive measures for the conducts listed in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies?”	√		(II)The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” that clearly defined the “prohibition of bribery and being bribed,” “prohibition of providing or accepting improper benefits,” “prohibition of providing or committing an illegal lobbying,” “prohibition of providing illegal political contributions,” “prohibition of inappropriate charitable donations or sponsorships,” “prohibition of conflicts of interest,” “prohibition of leaking trade secrets,” “prohibition of engaging in unfair competition,” “prevention of products or services from damaging stakeholders,” “prohibition of insider trading.” Also, take preventive measures and carry out education and promotion to implement the ethical corporate management policy.	
(III) Has the company clearly defined the operating	√		(III)The board of directors of the Company had resolved on	

Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause
	Yes	No	Summary	
procedures, guidelines for conduct, disciplinary act and grievance system in the plan to prevent unethical conduct, implemented it, and regularly reviewed and revised the aforementioned plans?			December 26, 2014 to have the “Procedures for Ethical Management and Guidelines for Conduct” formulated, which was amended on June 28, 2018 due to the changes in the law and regulations according to the resolution of the board of directors. It specifically regulates the requirements for the company’s personnel to comply with when performing job responsibilities, including clearly formulating the operation procedures and guidelines for conduct to prevent all unethical conducts, disciplinary acts, and appeal systems. There are the ethical corporate management policy related education and training and routine propaganda mechanism in place for new recruits and the current employees in order to implement the company’s ethical corporate management policy.	
<p>II. Implementation of ethical corporate management</p> <p>(I) Has the company evaluated the ethics records of the counterparty and specified the terms of ethical conduct in the contract it signed with the counterparty?</p>	√		(I) The Company has formulated the “Regulations Governing Supplier Evaluation” that requires suppliers to sign the “Integrity Commitment Letter,” committing to strictly comply with all the regulations imposed on the counterparty of Chaun Choung Technology Corp., and not paying or promising to pay any illegitimate benefits to the affiliates of Chaun Choung Technology Corp. for finalizing the transaction or fulfilling the transaction contract. In addition, the Company has conducted business with all legally registered and well-known financial institutions and banks, and both parties have their rights, obligations, and trading conditions clearly set in the credit contract; also, all the financial transactions conducted are transparent and appropriate.	There is no noticeable discrepancy

Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause
	Yes	No	Summary	
(II) Has the company setup a special unit under the board of directors to promote ethical corporate management, and regularly (at least once a year) reported to the board on its ethical corporate management policies and plans to prevent unethical conduct and the supervision performed?	√		(II)The Audit Department and the Administrative Department of the Company respectively formulate the relevant management standards for ethical corporate management. The Audit Department is responsible for the promotion of ethical corporate management; also, reports the compliance of ethical corporate management by the Group in the latest board meeting on a quarterly basis in order to help the board directors understand the implementation of the ethical corporate management policy and the prevention of unethical conduct plan.	
(III) Has the company formulated a policy to prevent conflicts of interest, provided appropriate communication channels, and implemented them?	√		(III)The Policies of preventing conflicts of interest are clearly defined in the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” of the Company; also, the colleagues are required to implement them accordingly. In addition, the directors at the Company’s board meeting had taken recusal for the proposals that they have a conflict of interest in accordance with the provisions of Article 15 of the Company’s “Rules of Procedure for Board of Directors Meetings.”	
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit had formulated relevant audit plans based on the risk evaluation of the unethical conduct, and checked the compliance with the plan to prevent unethical conduct, or entrusted an accountant to perform the audit?	√		(IV)The Company has established a complete and effective control mechanism in the accounting system and internal control system for the business activities and operating processes that are potentially at high risk of unethical conduct. The internal auditors also includes the high-risk operating procedures as the audit items in the annual audit plan to strengthen the preventive effect, and report the implementation of the audit plan to the board of directors on a quarterly basis. In addition, since the date the Company has become a subsidiary of Nidec	



Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause
	Yes	No	Summary	
(V) Has the company organized internal or external education and training regularly on the ethical corporate management?	√		<p>Corporation, the Company has cooperated with the rules of the parent company that is listed in Japan and allowed a non-attestation CPA Firm to conduct an internal control system audit on the reliability of the financial information disclosure of the Company in accordance with J-SOX.</p> <p>(V)The “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” of the Company are disclosed in the “Investors” section –organization operation rules of corporate governance on the company website, and are advertised through internal and external education and training programs. The directors and supervisors participated in the relevant training courses organized by the securities peripheral management agencies for a total of 27 hours in 2019. The Audit Department promoted it to 450 employees through internal e-mails. For new recruits, the Audit Department made the new recruits understand the Company’s ethical corporate management policy through the education and training programs with a total of 47 employees trained for a total of 24 hours.</p>	
<p>III. Whistleblowing System</p> <p>(I) Has the Company provided incentives and means for employees to report misconduct? Has the Company assigned dedicated personnel to investigate the reported misconduct?</p>	√		<p>(I) A report and reward system is formulated in Article 21 of the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” If the Group’s personnel suspect or find any unethical conduct, they can report it through the “Report Mailbox” on the company website or the exclusive mail mailbox of the Audit Department. Whistleblowing matters involving general employees should be reported to department</p>	There is no noticeable discrepancy

Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the root cause
	Yes	No	Summary	
(II) Has the company set the standard operating procedures for the investigation of the complaint, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	√		heads. Whistleblowing matters involving directors or senior executives should be reported to independent directors and supervisors. The Audit Department and the responsible officers or personnel should immediately investigate relevant facts, if necessary, the Compliance or other relevant departments shall provide assistance. (II) According to Article 21 of the Company’s “Procedures for Ethical Management and Guidelines for Conduct,” the acceptance of the report, the investigation process, and the investigation results shall be retained in writing for at least five years. The responsible unit should be formed upon the confirmation of the reported fact to review the internal control system and operating procedures, and propose improvement measures to prevent the same unethical conduct from happening again. The Audit Department should also have the situation of the nonconformity, the handling method, and the follow-up review and improvement measures reported to the board of directors.	
(III) Has the Company provided proper whistleblower protection?	√		(III)The Company shall keep the identity of the informant and the content of the report confidential and promise to protect the informant from improper disposal due to the report.	
IV. Enhancing information disclosure Has the company disclosed the content of the Ethical Corporate Management Best Practice Principles and its implementation effect on its website and Market Observation Post System?	√		The Company has disclosed the Ethical Corporate Management Best Practice Principles and its implementation on the company website, Market Observation Post System, and annual report in accordance with the provisions of Article 25 of the “Ethical Corporate Management Best Practice Principles.”	There is no noticeable discrepancy

Evaluation Items	Actual Governance			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the root cause
	Yes	No	Summary	
<p>V. If the Company has formulated Its own “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any differences from its own “Ethical Corporate Management Best Practice Principles”:</p> <p>The Company has formulated the “Ethical Corporate Management Best Practice Principles” to practice the corporate culture of ethical corporate management, and the actual operating situation is not significantly difference from the formulated “Ethical Corporate Management Best Practice Principles.”</p>				
<p>VI. Other important information that helps understand the implementation of the company’s ethical corporate management: (such as, the company reviewing and revising its ethical corporate management best practice principles, etc.)</p> <p>The Company has formulated the “Procedures for Handling Material Inside Information and Prevention of Insider Trade” that specifically prohibit Directors, Supervisors, managerial officers, and employees from disclosing material insider information to others, or inquiring/gathering material non-public information that is irrelevant to their duties from other insiders within the Company. The above parties are also prohibited from disclosing to others any material non-public information gained through non-business-related activities.</p>				

(VII) If the Company has formulated the Corporate Governance and other relevant guidelines, the inquiry method for such principles must be disclosed:

The Company has currently formulated the “Articles of Corporation,” “Rules of Procedures for Shareholders’ Meeting,” “Rules of Procedure for Board of Directors Meeting,” “Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee,” “Regulations Governing the Election of Directors and Supervisors,” “Remuneration Committee Charter,” “Procedures for the Acquisition or Disposal of Assets,” “Procedures for the Loaning of Funds,” “Regulations Governing the Making of Endorsements/Guarantees,” “Procedures for Handling Material Inside Information and Prevention of Insider Trade,” “Corporate Governance Best Practice Principles,” “Corporate Social Responsibility Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” Procedures for Ethical Management and Guidelines for Conduct,” “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors, and Managerial Officers,” and “Rules Governing the Scope of Powers of Independent Directors” that can be found on the company’s website (www.ccic.com.tw) and Market Observation Post System (MOPS).

(VIII) Other important information that can help understand the implementation of the company’s corporate governance:

1. The Company regularly holds institutional investor conferences; also, all institutional investor conferences related information is published on the Market Observation Post System and company websites to facilitate investors’ inquiries.

2.Continuing education of managerial officers in 2019:

Title	Name	Date of continuing education	Organizer	Course title	Nature and hours of continuing education courses			
Accounting Supervisor	Ling-Chuan Yi	2019/10/17~ 2019/10/18	Accounting Research and Development Foundation	Accounting Supervisor Continuous Training Course for Issuer, Securities Firm, and Stock Exchange	Accounting	Finance	Corporate Governance	Professional ethics and legal responsibility
					3 hours	3 hours	3 hours	3 hours

- (IX) Internal control system implementation status  
1. Declaration of Internal Control System

## **Declaration of Internal Control System of Chaun-Choung Technology Corp.**

Date: March 25, 2020

The following declaration has been made based on the 2019 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.
- 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 aforementioned three goals. 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 features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "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. Assessment criteria introduced by "The Governing Principles" consists of five main elements, each representing a different stage of internal control: 1. Environment control; 2. Risk evaluation; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the aforementioned criteria to validate the effectiveness of its internal control system design and implementation.
- V. The Company based on the evaluation results stated in the preceding paragraph believes that the internal control system (including supervising and managing the subsidiaries) on December 31, 2019, including understanding the effectiveness of operations and the degree to which efficiency goals are achieved and reported is reliable, timely, transparent, and complying with relevant standards and law and regulations. The design and implementation of the relevant internal control systems are effective that can reasonably ensure the achievement of the aforementioned goals.
- VI. This declaration constitutes main part of the Company's Annual Report and prospectus, which shall be disclosed to the public. Any illegal misrepresentation or concealment in the aforementioned public statement are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This declaration was resolved and passed unanimously without objection by all nine (9) Directors present at the Board Meeting dated March 25, 2020.

**Chaun-Choung Technology Corp.**

**Chairman: Junichi Nagai (Signature/Seal)**

**General Manager: Ta-Chi Kuo (Signature/Seal)**

2. If the internal control system was audited as a project reviewing by CPAs, the results of such review must be disclosed: None

(X) Penalties imposed against the Company and internal staff by law, or penalties against employees for violating the internal control system in the most recent year and up to the publication date of this annual report, if the penalties may have significant impact on the shareholders' equity or securities price, please describe the content of the penalties, major nonconformity, and corrective action: None.

(XI) Major resolutions passed in Shareholders' Meetings and Board of Directors Meetings held in the last year up to the publication date of this annual report:

1. Important resolutions of the board of directors meetings:

Meeting date	Major Resolutions
January 3, 2019	<ol style="list-style-type: none"> <li>1. Approved the Company's 2019 operating plan and budget.</li> <li>2. Approved the review of the Company's Director (including Independent Director) and Supervisor nominees list.</li> <li>3. Approved the amendments of the Company's "Regulations Governing Related Party Transactions."</li> <li>4. Approved the recruitment of the Company's key operational officers and their remuneration and benefits.</li> <li>5. Approved the scope of the managerial officers whose remuneration need to be proposed by the Remuneration Committee.</li> <li>6. Approved the review of the Company's 2019 the items of remunerations plans.</li> <li>7. Approved the 2019 remuneration of the Company's directors, supervisors, and managerial officers.</li> <li>8. Approved the year-end bonus amount of the Company's directors and managerial officers, and the principle of year-end bonus to all employees.</li> </ol>
January 29, 2019	<ol style="list-style-type: none"> <li>1. Approved the election of the Chairman and Vice Chairman.</li> <li>2. Approved the appointment of the Company's 5th Remuneration Committee Members.</li> <li>3. Approved the appointment of the Vice Chairman as the Company's "Chief Administrative Officer (CAO)."</li> </ol>
March 8, 2019	<ol style="list-style-type: none"> <li>1. Approved the distribution of directors and supervisors' compensation as well as employees' compensation in 2018.</li> <li>2. Approved the Company's 2018 Business Report and Consolidated and Standalone Financial Statements.</li> <li>3. Approved the Company's 2018 Earnings Distribution.</li> <li>4. Approved the change of the attestation CPAs for the Company's 2019 financial statements. (Based on the internal adjustment of the accounting firm)</li> <li>5. Approved the Company's application of the banking credit limits for the first half of 2019.</li> <li>6. Approved the Company's 2018 "Declaration of Internal Control System."</li> <li>7. Approved the proposal of convening the Company's 2019 Regular Shareholders' Meeting and related matters.</li> <li>8. Approved the proposal of handling the motions of shareholders in the Company's 2019 Regular Shareholders' Meeting.</li> <li>9. Approved the amendments to the Company's "Procedures for the Acquisition or Disposal of Assets."</li> </ol>
May 9,	<ol style="list-style-type: none"> <li>1. Approved the review of the shareholders' written proposals presented</li> </ol>

Meeting date	Major Resolutions
2019	<p>in the Company’s 2019 Regular Shareholders’ Meeting.</p> <ol style="list-style-type: none"> <li>2. Approved the proposal of formulating the “Standard Operating Procedures for Resolving Directors’ Requests.”</li> <li>3. Approved the amendments of the Company’s “Procedures for Loaning of Funds.”</li> <li>4. Approved the remuneration of the Remuneration Committee Members who are not board directors.</li> <li>5. Approved the addition agendas of the Company’s 2019 Regular Shareholders’ Meeting.</li> </ol>
June 24, 2019	<ol style="list-style-type: none"> <li>1. Approved the ex-dividend date and the related matters for the distribution of 2019 cash dividend.</li> <li>2. Approved the amendments of the Company’s 2019 operating budget.</li> <li>3. Approved the Company’s applying for credit loans from financial institutions for the second half of 2019.</li> </ol>
August 8, 2019	<ol style="list-style-type: none"> <li>1. Approved the allocation of directors and supervisors’ compensation as well as employees’ compensation in 2018.</li> <li>2. Approved the recruitment of the Assistant Vice President, including his/her remuneration and benefit package.</li> <li>3. Approved the change of the company’s business address.</li> <li>4. Approved the amendments of the Company’s “Regulations Governing Organizational Rights and Responsibilities and Internal Communication.”</li> <li>5. Approved the Company’s applying for bank credit limits.</li> <li>6. Approved the “Smart Phone Vapor Chamber Production Line addition (plan)” of the subsidiary, Kunshan Jue-Choung Electronics Co., Ltd.</li> </ol>
November 11, 2019	<ol style="list-style-type: none"> <li>1. Recognized the proposal of having the Company’s managerial officer transferred to the subordinate company.</li> <li>2. Approved the appointment of the Company’s new managerial officer.</li> <li>3. Approved the Company’s “2020 Internal Audit Plan.”</li> </ol>
December 9, 2019	<ol style="list-style-type: none"> <li>1. Approved the Company’s planning to apply to the financial institutions for credit loan renewal.</li> <li>2. Approved the amendments of the Company’s internal control system “Procurement and Payment Cycle.”</li> <li>3. Approved the Company’s planning to establish a new department and amend the “Regulations Governing Organizational Rights and Responsibilities and Internal Communication.”</li> <li>4. Approved the subordinate company, Chongqing Cyun Siang High-Tech Co., Ltd., planning to purchase/newly install manufacturing equipments(machines) of heat pipes, vapor chambers and thermal modules due to the changes in market demand and the need to expand future capacity.</li> <li>5. Approved the Company’s planning to have a major investment in Vietnam.</li> </ol>
January 14, 2020	<ol style="list-style-type: none"> <li>1. Approved the Company’s planning to recruit two Vice Presidents.</li> <li>2. Approved the amendments of the Company’s “Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committee” (was named: Regulations Governing the Performance Evaluation of the Board of Directors.”).</li> <li>3. Approved the amendments of the Company’s “Levels of Approval</li> </ol>

<b>Meeting date</b>	<b>Major Resolutions</b>
	<p>Authority.”</p> <p>4. Approved the Company’s planning to establish a new subsidiary in Vietnam.</p> <p>5. Approved the distribution of the 2019 year-end bonus to the top management of the Company.</p>
March 25, 2020	<p>1. Approved the Company’s subsidiary in Vietnam, Nidec Chaun Choung Vietnam Corporation, planning to issue a contract for the plant construction project.</p> <p>2. Approved the Company’s subsidiary, Nidec Chaun Choung Vietnam Corporation, planning to sign a land lease contract with FPT Hoa Lac Hi-tech Park Development Company.</p> <p>3. Approved the Company’s distribution of directors and supervisors’ compensation as well as employees’ compensation in 2019.</p> <p>4. Approved the Company’s 2019 Business Report, Consolidated and Standalone Financial Statements.</p> <p>5. Approved the Company’s 2019 Earnings Distribution.</p> <p>6. Approved the Company’s commissioning the 2020 attestation CPAs.</p> <p>7. Approved the Company’s issuing the 2019 Internal Control System Declaration.</p> <p>8. Approved the proposal of convening the Company’s 2020 Regular Shareholders’ Meeting and related matters.</p> <p>9. Approved the Company’s planning to amend the “Rules of Procedure for Board of Directors Meetings.”</p> <p>10. Approved the Company’s planning to amend the “Articles of Corporation.”</p> <p>11. Approved the Company’s planning to amend the “Procedures for the Acquisition or Disposal of Assets.”</p> <p>12. Approved the Company’s planning to amend the “Financing Cycle” and “Regulations Governing Budget.”</p> <p>13. Approved the Company’s planning to amend the “Regulations Governing the Preparation of Financial Statements.”</p> <p>14. Approved the Company’s planning to amend the “Accounting System.”</p> <p>15. Approved the Company’s adjusting the organizational structure and amending the “Regulations Governing Organizational Rights and Responsibilities and Internal Communication.”</p> <p>16. Approved the promotion of senior executive officers and his/her salary adjustment.</p>
March 30, 2020	<p>1. Approved the correction of the Company’s 2019 Earnings Distribution.</p>

2. Important resolutions of the Shareholders’ Meeting and implementation:

<b>Meeting date</b>	<b>Major Resolutions</b>	<b>Implementation</b>
June 24, 2019	<p>1. Recognized the 2018 business report and financial statements.</p> <p>2. Recognized the 2018 earnings distribution plan.</p>	<p>1. –.</p> <p>2. The Company’s board of directors had set the ex-dividend date on August 7, 2019, and the cash dividend issuance date on August 22</p>



Meeting date	Major Resolutions	Implementation
	<p>3. Approved the amendments of the “Procedure for the Acquisition or Disposal of Assets.”</p> <p>4. Approved the amendments of the “Procedure for Loaning of Funds.”</p>	<p>of the same year. The cash dividend of NT\$4.7 per share was fully distributed.</p> <p>3. The Company had uploaded the amended “Procedures for the Acquisition or Disposal of Assets” to the Market Observation Post System and the company website after the Shareholders’ Meeting; also, the related operations are conducted in accordance with the amended Procedure.</p> <p>4. The Company had uploaded the amended “Procedures for the Loaning of Funds” to the Market Observation Post System and the company website after the Shareholders’ Meeting; also, the related operations are conducted in accordance with the amended Procedure.</p>

(XII) In the most recent year and up to the publication date of the annual report, directors or supervisors have different opinions on the important resolutions passed by the board of directors, which have also being recorded or written: None

(XIII) Summary of the resignation and dismissal of the Company’s Chairman, President, Accounting Officer, Finance Officer, internal audit officer, corporate governance officer, and R&D officer in the most recent year and up to the publication date of the annual report:

Title	Name	Date Onboard	Date Departed	Reasons for resignation or dismissal
Chairman	Shih-Ling Wu	2015.06.15	2019.01.29	Due to the public tender offer for the Company’s securities by Nidec Corporation, an extraordinary shareholders’ meeting was held on January 29, 2019 to fully elect the directors and supervisors. On the same day, the board of directors elected Mr. Junichi Nagai as a new chairman, Ms. Shih-Ling Wu is currently the Vice Chairman of the Company as well as the CAO (Chief Administration Officer).

V. Disclosure of CPA's fees:

(I) CPAs fees bracket

Name of CPA Firm	Name of CPAs		Audit period	Remarks
KPMG	Hsin-Yi Kuo	Hui-Chih Ko	2019	Due to the internal job adjustment of the CPA Firm, the original CPAs Hsin-Yi Kuo and Ji-Long Yu were replaced by CPAs Hsin-Yi Kuo and Hui-Chih Ko.

Unit: NTD thousands

Amount range		Fee Category	Audit Fee	Non-audit Fee	Total
1	Below NT\$2,000,000		–	–	–
2	NT\$2,000,000 (inclusive) - NT\$4,000,000		–	–	–
3	NT\$ 4,000,000 (inclusive) - NT\$ 6,000,000		√	–	√
4	NT\$ 6,000,000 (inclusive) - NT\$ 8,000,000		–	–	–
5	NT\$ 8,000,000 (inclusive) - NT\$ 10,000,000		–	–	–
6	NT\$ 10,000,000 and above		–	–	–

(II) If the non-audit fees paid to the attestation CPAs, the CPA Firm to which the attestation CPAs belongs, and its affiliated companies are more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed: None

(III) If there is a change of Accounting Firm and the audit fee paid in the changing year is less than what was paid the year before, it is necessary to disclose the audit fee paid before and after the change of Accounting Firm and the root cause: None.

(IV) If the audit fee is decreased by more than 10% compared with the audit fee paid in previous year, the amount, proportion, and reason for the reduction of audit fee shall be disclosed: None.

VI. Change of CPAs

(I) About the former CPAs

Date of replacement	It was resolved in the Board meeting on March 8, 2019		
Reason for replacement and description	It was due to the internal job adjustment of the CPA Firm.		
Was the termination of audit service initiated by the Principal or by the CPAs?	Situation	Parties	Principal
	Commission was terminated voluntarily.	CPAs	Not Applicable
	Commission was rejected (not continued)	CPAs	Not Applicable
Reasons for issuing opinions other than unqualified opinions in the audit reports in the last two years	None		
Disagreements with the issuer or not	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Scope or steps of audit
			Others
	None	√	

	Description
Other disclosures (Disclosures deemed necessary under Item 1-4 to Item 1-7, Sub-paragraph 6, Article 10 of the Guidelines)	None

(II) Information relating to the succeeding CPAs

Name of Accounting Firm	KPMG
Name of CPAs	Hsin-Yi Kuo and Hui-Chih Ko
Date of appointment	The said appointment was resolved by the board of directors on March 8, 2019
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the Financial Reports prior to appointment	None
Written disagreements from the succeeding CPA against the opinions of the former CPA	None

(III) Former auditor's replies relating to Item 1 and Item 2-3, Sub-paragraph 6, Paragraph 1, Article 10 of the "Regulations Governing Information to be Published in Annual Reports: None.

VII. The Company's Chairman, General Manager, or any managerial officers involved in financial or accounting affairs being employed by the attestation accounting firm or any of its affiliated companies in the last year: None

VIII. In the most recent year and up to the publication date of the annual report, the transfer of equity and changes in pledged equity of directors, supervisors, managerial officers, and shareholders holding more than 10% of the issued shares:

(I) Changes in the equity of directors, supervisors, managerial officers, and major shareholders:

Title	Name	2019		2020 As of April 30	
		Shareholding Share increase (decrease)	Mortgaged shares Share increase (decrease)	Shareholding Share increase (decrease)	Mortgaged shares Share increase (decrease)
Corporate Director & Major Shareholder	Nidec Corporation	5,042,719	0	5,693,000	0
Representative of Corporate Chairman (Chairman & CEO)	Junichi Nagai	0	0	0	0
Corporate Director	Yo Chang Investment Co., Ltd.	0	0	0	0
Representative of Corporate Director (CAO)	Shih-Ling Wu	0	0	0	0
Representative of Corporate Director (General Manager & COO)	Ta-Chi Kuo	0	0	0	0
Representative of Corporate Director (CTO)	Masashi Takao	0	0	0	0
Representative of Corporate Director (CFO)	Kazuhito Kaise	0	0	0	0

Title	Name	2019		2020 As of April 30	
		Shareholding Share increase (decrease)	Mortgaged shares Share increase (decrease)	Shareholding Share increase (decrease)	Mortgaged shares Share increase (decrease)
Representative of Corporate Director	Mitsuru Tsuyoshi	0	0	0	0
Representative of Corporate Director	Hidetoshi Matsuhashi	0	0	0	0
Independent Director	Ke-Wei Hsu	0	0	0	0
Independent Director	Ya-Ping Chiang	0	0	0	0
Corporate supervisor	Yi Cen Investment Co., Ltd.	0	0	0	0
Representative of Corporate Supervisor	Chun-Yu Yen	0	0	0	0
Supervisor	Isao Takahashi	0	0	0	0
Product Development and Promotion Office Senior Vice President	Chien-Hung Wu	(1,244,486)	0	0	0
Vice President	Meng-Cheng Huang	0	0	0	0
Vice President	Chih-Ren Lin	0	0	0	0
R&D Center – Vice President	Cheng-Tu Wang	0	0	0	0
Vice President (Note 1)	Chi-feng Hsieh	0	0	0	0
Quality Assurance Department – Vice President (Note 2)	Yu-min Fan	–	–	0	0
Planning – Assistant Vice President	Yi-Chang Wu	0	0	0	0
PM1 – Assistant Vice President	Hung-Lin Cheng	0	0	0	0
PM2 – Assistant Vice President	Ya-Chin Chih	0	0	0	0
PM3 – Assistant Vice President (Note 3)	Zhi-ye Shen	0	0	0	0
Finance Department – Senior Manager (Finance and Accounting Supervisor)	Ling-Chuan Yi	0	0	0	0

Note 1: Chi-feng Hsieh, Vice President, has assumed office on November 11, 2019.

Note 2: Yu-min Fan, Vice President, has assumed office on February 3, 2020.

Note 3: Zhi-ye Shen, Assistant Vice President, has assumed office on July 22, 2019.

(II) The counterparty of the share transfer is a related party:

Name	Reasons for share transfer	Transaction Date	Transaction Counterparty	Relationship of the trade counterparties with the company, directors, supervisors, managerial officers, and shareholders holding more than 10% issued shares	Number of shares (shares)	Trading price (NTD)
Chien-Hung Wu	Disposal	July 8, 2019	Nidec Corporation	Nidec Corporation is the parent company, director, and major shareholder holding more than 10% issued shares of the Company.	1,217,486	165

(III) The counterparty of the pledged shares is a related party: None.

IX. Information on the top ten shareholders in shareholding ratio and are related parties or with a relationship of being a spouse or a relative within the 2nd degree of kinship:

April 24, 2020 (book closed date)

Name	Principal's shareholding		Shares Held by Spouse and Underage Children		Shares held in the names of others		For the top ten shareholders in shareholding ratio who are related parties or with a relationship of being a spouse or a relative within the 2nd degree of kinship, please state the title or name and relationship.		Remarks
	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Shares Held	Shareholding Percentage	Title (or name)	Relationship	
Nidec Corporation	41,444,831	48.00%	0	0.00%	0	0.00%	None	None	
Nidec Corporation Representative: Shigenobu Nagamori	0	0.00%	0	0.00%	0	0.00%	None	None	
CTBC Bank is entrusted with the custody of the investment account of Nidec Corporation	10,735,719	12.43%	0	0.00%	0	0.00%	None	None	
Yo Chang Investment Co., Ltd.	2,945,000	3.41%	0	0.00%	0	0.00%	None	None	
Yo Chang Investment Co., Ltd. Person-in-charge: Pei-Fang Wu	48,572	0.06%	0	0.00%	0	0.00%	You-Zhong Wu	A relative within the 1st degree of kinship	
Yi Cen Investment Co., Ltd.	2,235,000	2.59%	0	0.00%	0	0.00%	None	None	
Yi Cen Investment Co., Ltd. Person-in-charge: Yi-Chang Wu	380,000	0.44%	1,340	0.00%	0	0.00%	Shih-Ling Wu	A relative within the 2nd degree of kinship	
Shih-Ling Wu	1,353,410	1.57%	0	0.00%	0	0.00%	Yi-Chang Wu	A relative within the 2nd degree of kinship	
Public Servants Retirement Pension Fund Management Committee 2016 Domestic Investment Account totally authorized entrusted with Taishin Securities Investment Trust Co., Ltd.	930,000	1.08%	0	0.00%	0	0.00%	None	None	
You-Zhong Wu	800,000	0.93%	216,478	0.25%	0	0.00%	Pei-Fang Wu	A relative within the 1st degree of kinship	
Mega Bank is entrusted with the custody of the investment account of Allianz Global Investors Taiwan Fund	780,000	0.90%	0	0.00%	0	0.00%	None	None	
Jin-Chang Chang	720,000	0.83%	0	0.00%	0	0.00%	None	None	
Mercuries Life Insurance Inc.	668,000	0.77%	0	0.00%	0	0.00%	None	None	
Mercuries Life Insurance Inc. Person-in-charge: Xian-gyue Chen	0	0.00%	0	0.00%	0	0.00%	None	None	

- X. Investments jointly held by the Company, the Company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the Company, with shareholding disclosed in aggregate of the said parties

Unit: Thousand shares; as of April 30, 2020

Invested businesses	Investment of the Company		Directors, supervisors, managerial officers, and investments that are directly or indirectly controlled		Aggregate investment	
	Shares Held	Shareholding ratio	Shares Held	Shareholding ratio	Shares Held	Shareholding ratio
Conquer Wisdom Co., Ltd.	18,093	100%	0	0	18,093	100%
Chaun Choung Technology America Inc.	0	0	300	100%	300	100%
Globe Star Enterprise Ltd.	0	0	140,408	100%	140,408	100%
Kunshan Jue-Choung Electronics Co., Ltd.	0	0	Note	100%	Note	100%
Dongguan Chiuan-Vector Industrial Co., Ltd.	0	0	Note	100%	Note	100%
Chongqing Cyun Siang High-Tech Co., Ltd.	0	0	Note	100%	Note	100%
Nidec Chaun Choung Vietnam Corporation	Note	100%	0	0	Note	100%

Note: It is a limited company and has not issued shares.

## Four. Fundraising Overview

### I. Capital and Shares

#### (I) Source of capital

Unit: Shares; New Taiwan Dollars April 30, 2020

Year	Month	Issuing price (NT\$)	Authorized capital		Paid-in capital		Remarks		
			Number of shares (shares)	Amount (NT\$)	Number of shares (shares)	Amount (NT\$)	Source of Capital (NT\$)	Paid in properties other than cash	Others (Approval Reference Number)
88	11	10	28,000,000	280,000,000	17,857,143	178,571,430	Capitalization of Earnings for NT\$38,571,430	None	November 18, 1999 Economic Ministry(88) business 141547
89	10	10	35,000,000	350,000,000	30,214,286	302,142,860	Cash capital increase for NT\$70,000,000 Capitalization of Earnings for NT\$53,571,430	None	(89)Taiwan Finance Certificate (I) No.54747 Dated on June 30, 2000
91	08	10	43,000,000	430,000,000	37,040,000	370,400,000	Capitalization of Earnings for NT\$68,257,140 (Includes Employee bonus for NT\$10,850,000)	None	Taiwan Finance Certificate (I) No. 0910141303 Dated on July 24, 2002
92	09	10	55,800,000	558,000,000	41,618,687	416,186,870	Capitalization of Earnings for NT\$45,786,870 (Includes Employee bonus for NT\$ 5,413,270)	None	Economic Ministry authorized R.O.C. No. 09232679810 Dated on September 17, 2003
93	01	10	55,800,000	558,000,000	42,399,037	423,990,370	Conversion from Convertible Bonds into common shares for NT\$7,803,500	None	Economic Ministry authorized R.O.C. No. 09331573310 Dated on January 19, 2004
93	04	10	55,800,000	558,000,000	43,420,197	434,201,970	Conversion from Convertible Bonds into common shares for NT\$10,211,600	None	Economic Ministry authorized R.O.C. No. 09332037290 Dated on April 27, 2004
93	08	10	55,800,000	558,000,000	43,498,230	434,982,300	Conversion from Convertible Bonds into common shares for NT\$780,330	None	Economic Ministry authorized R.O.C. No. 09332517160 Dated on August 2, 2004
93	11	10	55,800,000	558,000,000	51,881,054	518,810,540	Capitalization of Earnings for NT\$77,014,090 (Includes Employee bonus for NT\$7,897,180) Conversion from Convertible Bonds into common shares for NT\$ 6,814,150	None	Economic Ministry authorized Business No. 09301200260 Dated on November 4, 2004
94	02	10	55,800,000	558,000,000	53,863,713	538,637,130	Conversion from Convertible Bonds into common shares for NT\$19,826,590	None	Economic Ministry authorized Business No. 09401019010 Dated on February 1, 2005
94	05	10	55,800,000	558,000,000	54,089,550	540,895,500	Conversion from Convertible Bonds into common shares for NT\$ 2,258,370	None	Economic Ministry authorized Business No. 09401079240 Dated on May 5, 2005
94	06	10	78,000,000	780,000,000	60,089,550	600,895,500	Cash capital increase for NT\$60,000,000	None	Economic Ministry authorized Business No. 09401102220 Dated on June 9, 2005



Year	Month	Issuing price (NT\$)	Authorized capital		Paid-in capital		Remarks		
			Number of shares (shares)	Amount (NT\$)	Number of shares (shares)	Amount (NT\$)	Source of Capital (NT\$)	Paid in properties other than cash	Others (Approval Reference Number)
94	07	10	78,000,000	780,000,000	60,126,314	601,263,140	Conversion from Convertible Bonds into common shares for NT\$ 367,640	None	Economic Ministry authorized Business No. 09401138500 Dated on July 22, 2005
94	10	10	78,000,000	780,000,000	70,706,641	707,066,410	Capitalization of Earnings for NT\$105,299,200 Conversion from Convertible Bonds into common shares for NT\$504,070	None	Economic Ministry authorized Business No. 09401209040 Dated on October 19, 2005
95	09	10	120,000,000	1,200,000,000	78,493,996	784,939,960	Capitalization of Earnings for NT\$77,873,550 (Includes Employee bonus for NT\$7,166,900)	None	Economic Ministry authorized Business No. 09501205590 Dated on September 13, 2006
97	09	10	120,000,000	1,200,000,000	86,343,396	863,433,960	Capitalization of Earnings for NT\$78,494,000	None	Economic Ministry authorized Business No. 09701243310 Dated on September 23, 2008

April 30, 2020 Unit: shares

Shares Type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock shares	86,343,396	33,656,604	120,000,000	Shares of Listed Companies

Note: 500,000 shares out of the authorized 120,000,000 shares have been reserved for the issuance of stock options, preferred stock share subscription warrants, or corporate bond subscription warrants in order to exercise the warrants.

Where offering of securities was approved to proceed using the aggregate reporting system, disclose the amount approved and information relating to the proposed issuance and issued securities: Not applicable.

(I) Shareholder structure

April 24, 2020 (Book closed date) Unit: shares

Volume \ Shareholder Structure	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Head Count	4	3	105	7,293	76	7,481
Shareholding	1,449,000	689,000	11,188,364	16,416,269	56,600,763	86,343,396
Shareholding ratio (%)	1.68%	0.80%	12.96%	19.02%	65.54%	100.00%

(II) Ownership distribution of equity

1. Ownership distribution of common stock:

April 24, 2020 (book closed date)

Shareholding Range (shares)		Shareholder Count (persons)	Shareholding (shares)	Shareholding ratio (%)
1	~ 999	3,224	182,613	0.21
1,000	~ 5,000	3,793	6,187,012	7.17
5,001	~ 10,000	218	1,705,187	1.97
10,001	~ 15,000	61	788,023	0.91
15,001	~ 20,000	46	845,388	0.98
20,001	~ 30,000	27	706,106	0.82
30,001	~ 50,000	40	1,624,965	1.88
50,001	~ 100,000	26	1,898,565	2.20
100,001	~ 200,000	16	2,286,395	2.65
200,001	~ 400,000	12	3,305,983	3.83
400,001	~ 600,000	5	2,303,554	2.67
600,001	~ 800,000	7	4,865,645	5.64
800,001	~ 1,000,000	1	930,000	1.08
1,000,001	~ 3,000,000	3	6,533,410	7.57
Above 3,000,001		2	52,180,550	60.42
Total		7,481	86,343,396	100.00

2. Ownership distribution of preferred stock: Not Applicable.

(III) Major shareholders list: Name of the shareholders with more than 5% ownership or who are on the top 10 list

April 24, 2020 (book closed date)

Name of major shareholders	Shares	Shareholding (shares)	Shareholding Percentage (%)
Nidec Corporation		41,444,831	48.00%
CTBC Bank is entrusted with the custody of the investment account of Nidec Corporation		10,735,719	12.43%
Yo Chang Investment Co., Ltd.		2,945,000	3.41%
Yi Cen Investment Co., Ltd.		2,235,000	2.59%
Shih-Ling Wu		1,353,410	1.57%
Public Servants Retirement Pension Fund Management Committee 2016 Domestic Investment Account totally authorized entrusted with Taishin Securities Investment Trust Co., Ltd.		930,000	1.08%
You-Zhong Wu		800,000	0.93%
Mega Bank is entrusted with the custody of the investment account of Allianz Global Investors Taiwan Fund		780,000	0.90%
Jin-Chang Chang		720,000	0.83%
Mercuries Life Insurance Inc.		668,000	0.77%

(IV) Information relating to Market Price, Net Worth, Earnings, and Dividends per share for the last two years

Unit: thousand shares/NTD

Item	Year		2018	2019	Year-to-date as of April 30, 2020 (Note 7)
Market Price per share (Note 1)	High		149.00	300.00	294.50
	Low		66.70	120.00	158.00
	Average		94.16	191.08	234.07
Net worth per share (Note 2)	Before distribution		44.45	47.01	47.30
	After distribution (Note 3)		39.75	(Note 3)	(Note 3)
Earnings per share	Weighted average outstanding shares		86,343	86,343	86,343
	EPS (Note 2)		6.90	8.12	1.04
Dividends per share	Cash dividends (Note 3)		4.70	(Note 3)	(Note 3)
	Stock dividends	(Note 3)	–	(Note 3)	(Note 3)
		(Note 3)	–	(Note 3)	(Note 3)
	Cumulative unpaid dividends		–	–	–
Return on investment analysis	P/E Ratio (Note 4)		13.65	23.53	–
	Price to Dividends Ratio (Note 5)		20.03	(Note 3)	(Note 3)
	Cash Dividend Yield % (Note 6)		4.99	(Note 3)	(Note 3)

Note 1: Average market price is calculated by weighing trade prices against trade volumes in each respective year.

Note 2: Financial information as of the first quarter of 2020 had been audited or reviewed by CPAs.

Note 3: Figures have been specified in the amounts resolved in the Shareholders' Meeting in the following year. The 2019 Earnings Distribution has not been resolved in a Shareholders' Meeting.

Note 4: P/E Ratio = Average closing price per share for the year/earnings per share.

Note 5: Price to Dividends Ratio = Average closing price per share for the year/cash dividends per share.

Note 6: Cash Dividend Yield = Cash dividends per share/Average closing price per share for the current year.

Note 7: Net worth per share and earnings per share had been reviewed by the CPAs. For all other columns, calculations are based on data as of the publication date of the annual report.

(V) Dividend policy and implementation

1. Dividend policy stated in the Company's Articles of Corporation

According to the Articles of Corporation of the Company, annual earnings, if any, concluded by the Company are first applied to pay tax and make up for previous losses, followed by a 10% provision for legal reserve. However, no further provision is needed when legal reserve has accumulated to an amount equal to the Company's paid-in capital. In addition, the Company may also make provision for special reserves as needed for operation or as required by law. The residual balance, if any, can then be added to undistributed earnings carried from previous years and distributed as dividends, subject to Board of Directors' proposals and the resolution reached in the Shareholders' Meeting.

In principle, the Company generally distributes earnings for an amount not less than 50% of current net income. In addition to the aforementioned guidelines, for the distribution of dividend, the stock dividend should not exceed 80% of total dividends, whereas the cash dividend should not be less than 20% of total dividends.

2. Dividends proposed for the current year

Earnings distribution (distribution of 2019 earnings) resolved by the Company's Board of Directors on March 30, 2020

(1) Proposed cash dividend of shareholders: NT\$420,492,339.

(2) Cash dividends are to be distributed at NT\$4.87 per share based on shareholders' shareholdings recorded on the shareholder registry at record date for dividend distribution.

(3) Once the earnings distribution is resolved in the Regular Shareholders' Meeting, the Board of Directors shall be authorized to set the record date for cash dividend distribution. Cash dividends that amount to less than NT\$1 shall be aggregated and recognized as non-operating income for 2020.

(4) Should any changes occur to the terms of current earnings distribution, whether due to a change of regulations or instruction of the authority, that affect the number of outstanding shares or the shareholders' shareholding ratio and percentage of cash dividends paid, the Board of Directors shall be fully authorized in the Shareholders' Meeting to make the necessary adjustments.

(VII) Impacts of proposed stock dividends in the current Shareholders' Meeting on the Company's business performance and earnings per share: Not applicable as no stock dividend was proposed in the Shareholders' Meeting and no financial forecast was made for 2019.

(VIII) Employee, director, supervisor compensation

1. Percentage and range of employee, director, and supervisor compensation stated in the Articles of Corporation:

According to the Company's Articles of Corporation, any profits concluded from a fiscal year are subject to allocate employee compensation for an amount not less than 3%, which the Board of Directors may decide to distribute in cash or in shares. Employees of subordinate companies who meet the criteria determined by the Board of Directors are also entitled to receive the said compensation. The Company may also allocate Director and Supervisor compensation for an amount up to 3% of the aforementioned profit, which subject to the resolution of the Board of Directors. However, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as

compensation to employees, directors, and supervisors.

2. Basis for the estimation of the compensation of employees, directors, and supervisors in current period, basis for the calculation of stock shares distributed to employees as compensation, and accounting treatment for the difference between the actual distribution amount and the estimated amount:

The amounts of 2019 employee, director, supervisor compensation were estimated by multiplying the percentages mentioned in the Articles of Corporation by 2019 net income before tax net of employee, director, and supervisor compensation. However, the difference, if any, between the amount resolved in the Board of Directors Meeting and the amount previously estimated will be treated as a change in accounting estimate and recognized as gains/losses for 2020. Where employee compensation is paid in shares, the amount of share-based payment is calculated based on the closing price one day before the resolution reached in the Board of Directors Meeting.

3. Compensation distribution resolved by the Board of Directors:

- (1) Employee, director, and supervisor compensation paid in cash or in shares. If it is different from the amount estimated in the year expense incurred, the amount of difference, causes, and treatment should be disclosed:

The Company's Board of Directors had compensation distributed to employees for an amount of NT\$46,000,000 and to directors and supervisors for an amount of NT\$5,000,000 on March 25, 2020, which were identical to the amounts estimated in operating costs or operating expenses for 2019.

- (2) Ratio of employee compensation paid in shares to net income and total employee compensation on the standalone (parent company only) financial statements: No proposal was made to pay 2019 employee compensation in shares.

4. Actual payment of employee, director, and supervisor compensation in 2018; also, if it is different from the recognized and booked employee, director, and supervisor compensation, please explain the amount of difference, the cause, and treatment of such discrepancies:

The Company's Board of Directors had compensation distributed to employees for an amount of NT\$42,000,000 and to directors and supervisors for an amount of NT\$13,600,000 in 2018, which were no different from the actual payment amount resolved by the Board of Directors.

(IX) Buyback of Company's shares: The Company did not make any shares buyback in 2019

II. Disclosures relating to Corporate Bonds: None.

III. Preferred Stock Shares: None.

IV. Global Depository Receipts: None.

V. Employee Warrants:

- (I) Employee Stock Options: None.
- (II) Restricted Employee Stock Awards: None.

VI. Issuance of new shares for business acquisition or share exchange:

- (I) Issuance of new shares for acquisition or exchange of shares of another company in the last year up to the publication date of the annual report: None.
- (II) Issuance of new shares for acquisition or exchange of shares of another company approved by the Board of Directors in the last year up to the publication date of the annual report: None.

VII. Progress on fund utilization plan:

- (I) Plans: For any issuance or private placement of securities that were not completed or securities issuance/private placements that were completed within the last three years but have not yet to achieve the intended benefits by the immediate quarter before the publication date of the Annual Report, disclose details of the securities offering or private

placement including plan changes, source and use of funds, reasons for change, benefits before and after change, the dates of the proposals were presented in the Shareholders' Meeting, and the dates information was uploaded onto the reporting website designated by the SFB: The Company has no incomplete securities issuance or private placement, or any completed securities issuance or private placement issuance within the last three years that has not achieved the intended benefits yet.

- (II) Execution: The Company has no incomplete securities issuance or private placement, or any completed issuance within the last three years that has not achieved the intended benefits yet.

## Five. Operational Overview

### I. Business activities

#### (I) Scope of business

##### 1. Main business activities

The Company and subsidiaries are mainly involved in the manufacturing, processing, and trading of heat transfer components, and offering of heat transfer designs and solutions. The main products offered include thermal modules, heat sinks, heat pipes, and vapor chambers.

##### 2. Current main products and revenue weight (2019)

Unit: NTD thousands

Products	Amount	Percentage (%)
Thermal module	6,338,744	73.83
Heat sink	1,504,308	17.52
Others	743,120	8.65
Total	8,586,172	100.00

##### 3. New products planned for the future:

###### (1) Current products of the Company

Thermal modules, heat sinks, heat pipes, and vapor chambers.

###### (2) New products planned for the future

- A. Integrated heat transfer solution incorporating fans/heat pipes/vapor chambers/fins
- B. Liquid cooling systems

#### (II) Industry overview

##### 1. Current product development

The Company's main product lines include heat transfer devices for smartphones, desktops (DT), notebooks (NB), servers, networks communication, game consoles, and household appliances, with personal computers (PC), servers, networks communication, and smartphones representing the majority. Due to the higher heat generation of the CPU and the higher heat transfer requirements of chipsets, graphics chips, and other devices, the demand for heat transfer components is increasing day by day. Given the rapid development of handheld devices in the last five years and upcoming implementation of 5G for relevant systems, the ultra-high transfer speeds and the upgrade of hardware and software performance at the same time, high demand for heat transfer solutions on a global scale has been activated.

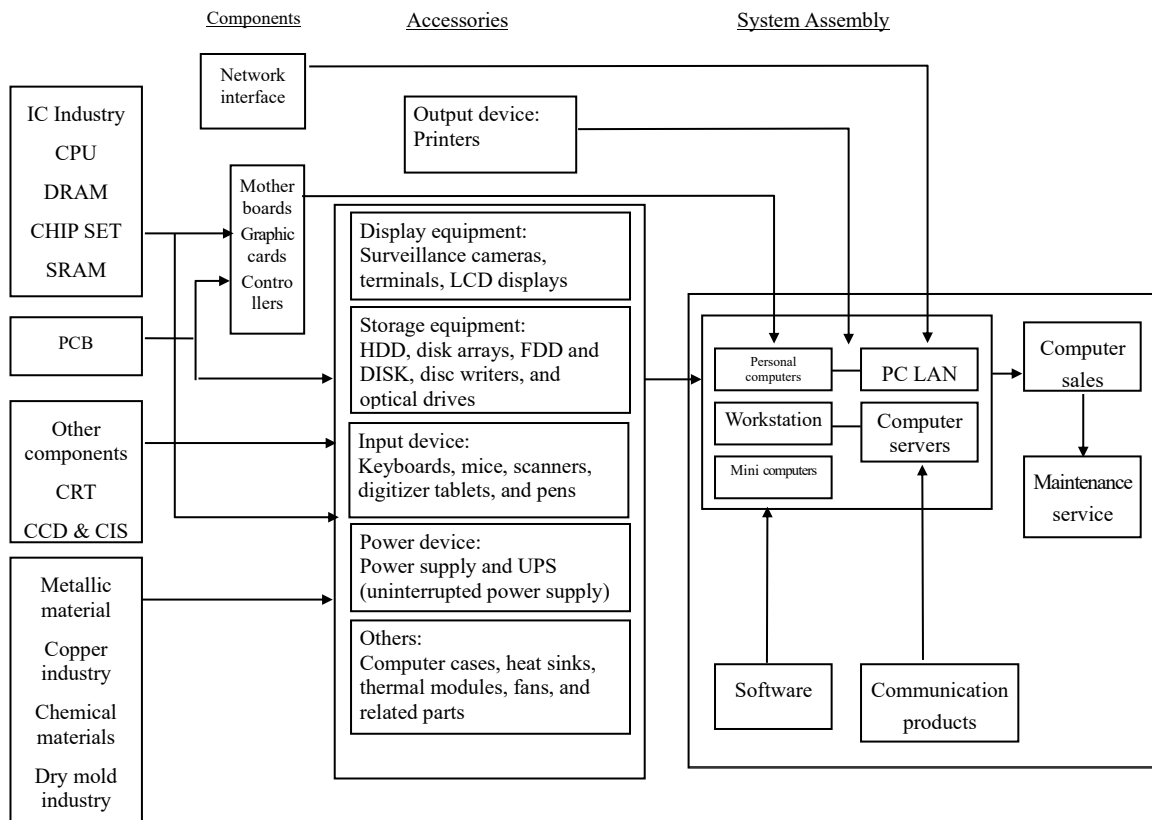
The Company is a professional manufacturer dedicated to providing heat transfer solutions for IT and electronic products. The Company through collaboration with ITRI successfully developed "micro heat pipes," a critical thermal module for NBs, in 1995 and with mass production commenced and applied to the heat transfer device of PCs (DT and NB) in 1998. The Company began mass production of high-power vapor chambers in 2007, a heat transfer device for servers and networks communication products. Started mass production of ultra-thin vapor chambers and heat pipes for smartphones in 2015, the Company now provides heat transfer solutions for the majority of IT products. The Company remains active in recruiting R&D and design talents, improving production process and efficiency, reducing noise and emissions throughout the process, and adopting automated equipment continuously. These investments have helped secure the Company's global leadership in the research, development, and manufacturing of heat pipes, vapor chambers, and thermal modules, as well as environmental protection, energy-saving, and carbon reduction solutions.

Nidec Corporation (Japan) made a public tender offer for 48% of share ownership in

the Company towards the end of 2018, and officially became a part of the management team in early 2019 as the Company re-elected its Directors and Supervisors and reappointed members of the senior management. The inclusion of Nidec in the management team will significantly expand business prospects; also, the Company plans to capitalize by taking more pro-active global strategies towards maximizing revenues, growth, and profitability for the benefit of its customers, shareholders, and employees.

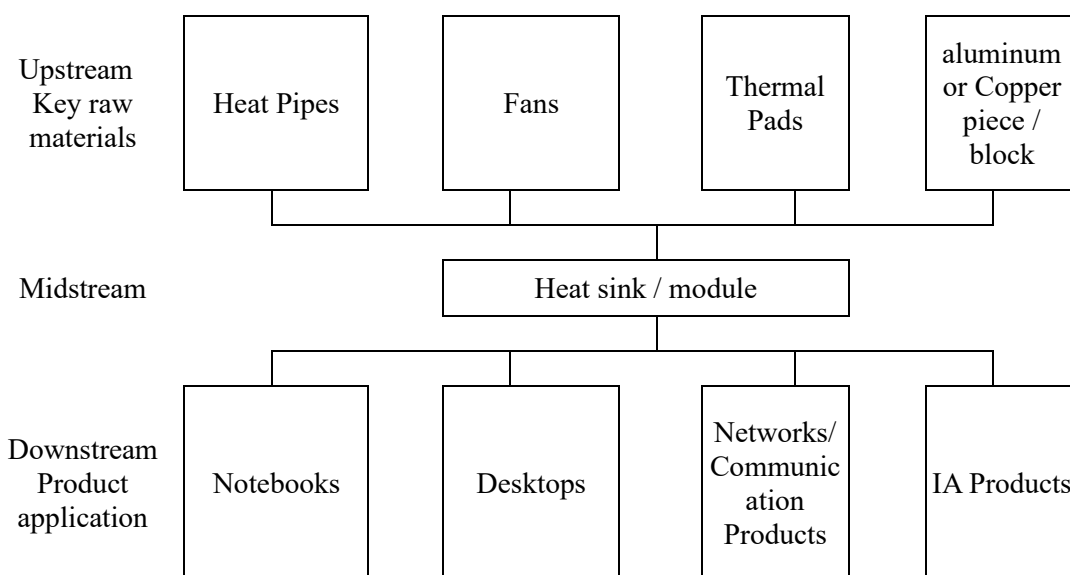
2. Association between upstream, midstream, and downstream industry participants

Upstream and downstream products of the IT industry of Taiwan



Thermal modules and heat sinks are currently the main products of the Company. They are mainly used in the information electronic components industry, and the upstream and downstream products of the industry are as depicted in the figure above. In addition, the upstream key raw material of the products and the downstream application of the Company is described as follows:





#### A. Upstream supply of key raw materials

The heat pipes used in the computer thermal modules are mostly manufactured by the Company, whereas raw materials are sourced from long-lasting suppliers. The Company maintains at least two suppliers for most of the needed materials; therefore, supply of main raw materials is considered as stable.

#### B. Downstream applications

Most precision electronics require specific form of heat transfer solution, and thermal modules have become essential components after they were introduced into notebooks in 1997. As electronics become lighter, slimmer, smaller, and more feature-rich, thermal modules will find more applications in IT, communications, and consumer electronics.

#### 3. Product development trends

The PC industry has been declining for several consecutive years, which has prompted the Company to explore new opportunities in non-PC fields. As electronic mobile devices have become packed with features, power consumption increases and so is the need to dissipate heat. Increased demand for heat transfer is most significantly seen in networks/communication products. The Company employs a professional team of researchers whose sensitivity and insight in industry trends have led to the successful development of heat transfer solutions for handheld devices ahead of competitors. The team expects to explore opportunities in new fields, such as, slimmer mobile communication devices, cloud and power modules, and auto electronics in the future.

#### 4. Product Competition

Increasing demand for heat transfer solutions driven by the evolution of electronics has attracted competition, including renowned local and foreign brands and thermal module suppliers from China. However, the key to success lies in the manufacturer's ability to keep up with the rapidly changing electronic technologies, products, and applications. Having invested in the research of heat transfer and dissipation in as early as 1995, the Company leads its competition not only in terms of technical capability and sensitivity, but enjoys the advantage of long-term relationships with local and foreign system manufacturers as well. Compared to the competition, Chaun Choung Technology has time and time again impressed customers with its responsiveness and production flexibility, and is therefore able to secure purchase orders from customers over the long run. In the future, the Company aims to further

improve its competitiveness in the following areas:

- (1) Improving business management
- (2) Enhancing R&D capability
- (3) Forming strategic alliances with upstream and downstream partners.
- (4) Development of heat transfer solutions for handheld devices, game consoles, auto electronics, and cloud computing

(III) Technological research and development

1. R&D expenses incurred in the last year and up to the publication date of the annual report

Unit: NTD thousands

Year	2018	2019	As of the first quarter of 2020
R&D Expenses	290,193	343,725	72,046
As a Percentage of Current Year Revenue (%)	3.79	4.00	4.38

2. Technologies or products successfully developed

- (1) The 5G smart phone ultra-thin vapor chamber heat transfer solution project development completed.
- (2) The Intel Cometlake Platform heat transfer solution project development completed.
- (3) Server Whitley Platform cooling solution completed.

(IV) Long-term and short-term business plans

1. Short-term development plans

The Company's main heat transfer-related product lines are heat transfer devices for PC (NB+DT), Server, Network Communication, Smart Phone, and other related information electronic products. The short-term plan is to expand the production capacity of each plant's product line, improve production technology and automation, accelerate the development of new customers and new product lines, increase mid- and high-level management and R&D related manpower, and other strategic layouts in order to achieve revenue growth and profitability increase. The Company's short-term strategies are as follows:

- (1) Marketing strategies

- A. Actively develop new customers and new product lines to accelerate the achievement of market development and revenue growth by taking advantage of the powerful marketing team and its customer base resources of the parent company, Nidec Corporation.
- B. The Company will base on strong research and development capabilities, competitive prices, excellent product quality and manufacturing capabilities, and dedicated team services to increase the loyalty of the existing customers and their use of the Company's products.
- C. Layout the huge market demand of various industrial applications in the 5G era, provide customers with the most immediate products, production capacity, and services, and grow together with customers.

- (2) Production policies

- A. Expand manufacturing capacity to meet market demand and provide revenue growth momentum.
- B. Improve production procedures and enhance quality control to increase product yield.
- C. Accelerate the adoption of automated equipment and replacement of outdated equipment to improve production efficiency and reduce production cost.
- D. Enhance training management and horizontal and vertical integration for more consistent production quality.
- E. The main key components and products are manufactured at two more productions

sites for backup to each other.

(3) Product development direction

- A. Continuously strengthen core technology capabilities (3S): Strengthen the development of Slight, Slim, and Strong heat transfer technologies and products, expand the scope of product applications, and enhance technological advantages.
- B. Develop new application products in the market demand of 5G, AI, HPC, IIOT and EV.
- C. Integrated heat transfer solution incorporating fans/heat pipes/vapor chambers/fins.
- D. Development of liquid cooling systems

(4) Business scale and financial support

Actively expand manufacturing capacity and substantiate the implementation of the plan for the construction of a new manufacturing base in Vietnam; strengthen the company's financial management functions, and enhance risk control.

2. Long-term development direction

The Company has adopted the philosophy of pursuing "excellence" in a long run and aims to lead the competition in every aspect from industrial development trend recognition, decision making, research, development, and production technology, to quality enhancement. Driven by a service-oriented business model, the Company takes steps toward becoming the world's leading brand on heat transfer solutions ultimately. The Company's long-term strategies are as follows:

(1) Marketing strategies

- A. Expand the company's product line and sales scale, enhance the company's global visibility and market share, and become the most important heat transfer product supply company of the industry.
- B. Comprehensively improve customer service and satisfaction, establish world-class service standards and reputation, become the most favorable supply chain and leading brand to customers, and increase market shares.

(2) Production policies

- A. Adjust and expand the product lines and production capacity of each plant within the Group, meet customer needs, rationalize process control, improve the degree of automation, and enable each plant to fully exercise its advantages and create the "economies of scale" effect.
- B. Actively establish a plan to establish a factory in Vietnam, complete the production capacity setting promptly, participate in the production, and provide a better manufacturing environment and quality to serve customers.
- C. Innovate manufacturing technology, improve production efficiency and quality, and create maximum revenue growth with more competitive manufacturing costs.

(3) Product development direction

- A. Layout the future development direction of science and technology in advance, and apply heat transfer design to more diversified products. Contribute to human well-being.
- B. Research and develop and introduce new products capable of achieving more efficient heat transfer.
- C. Continue to develop lighter, slimmer, and more efficient heat transfer products.

(4) Business scale and financial support

- A. Implement mid- to long-term capacity expansion plans to support growth momentum for expanding revenue scale.
- B. Operating costs are rationalized and resources are optimally allocated.
- C. Gather, analyze, and compile market information for decision-making.

## II. Market, production, and sales overview

### (I) Market analysis

#### 1. Main markets for product sales

Unit: NTD thousands

Area	2019	Percentage (%)
China	4,743,478	55.25
USA	442,220	5.15
Taiwan	1,400,672	16.31
Other Countries	1,999,802	23.29
Total	8,586,172	100.00

#### 2. Market Share

According to the statistics published by research institutions, 261 million PCs, 14.88 million servers (including motherboards), and 1.541 billion (roughly estimate that around 10% or loss of global smartphones using heat transfer devices like vapor chamber or heat pipe) smart phones were sold worldwide in 2019. The Company estimates that the market share of main products in PCs, servers, and smartphones is about 15%, 20%, and 15%, respectively. Purchase orders are mainly from the customers in the United States, China, South Korea, and Taiwan.

#### 3. Future Market supply, demand, and growth

The Company's products are used in personal computers (desktop computers and notebook computers) and peripheral heat transfer devices accounted for about 49% of the revenue, server/network communication equipment heat transfer devices accounted for about 39% of the revenue, mobile phone heat transfer devices accounted for about 9% of the revenue, and other categories accounted for about 3% of the revenue.

According to the estimates of market research institutions, the first quarter of 2020 was impacted by the COVID-19 pandemic worldwide, and the revenue of the information and electronics-related industries is significantly affected. In the prospect of 2020, global PC shipments will decline from 2019. However, the substantial increase in demand for people working from home, attending classes at home, and online entertainment has directly driven the growth in real demand for servers, cloud data centers, network communications, business computers, and gaming PCs. In addition, the practical application of 5G is expected to be more diverse. The shipment of related heat transfer products will continue to grow along with the popularization of 5G commercialization.

#### 4. Competitive advantage

The Company possesses advantages in the following areas:

- (1) Accumulate more than 10-year of experience, handle more than 1,000 thermal modules/components, and continue to refine innovation ability to design and refine key products.
- (2) Accumulate numerous and stable cooperation supply chains.
- (3) Abundant production capacity and flexible production procedures at all production sites.
- (4) Ability to develop and design key heat transfer components.
- (5) A highly efficient and mature planning/marketing/project team.
- (6) Heat transfer specifications certified by major local and foreign brands, which make them long-term business partners.

#### 5. Future opportunities, threats, and response strategies

##### (1) Opportunities

- I. Full R&D and production capacity for heat pipes, slim pipes, vapor chambers, and related products.

Due to the increasingly diversified design of electronics, new IT products are demanding more efficient and better-quality heat transfer, which makes it important for thermal solution suppliers to adapt quickly to the changing technology. The Company has built up strong knowledge in the development of

heat pipes since mass production began in 1997, and now possesses the capacity to design critical heat transfer components. Backed by more than 10 years of practical experience, an existing portfolio of more than 1,000 thermal modules/components, a versatile R&D team, and fully automated production equipment, the Company is highly competitive in terms of production efficiency. In recent years, the Company has further expanded the application of this core technology, by taking advantage of heat pipe with the characteristics of good conductivity and small size and through the thermal module technology of note book computer, to develop the heat module for mini heat pipes, boss hot plates, advanced interfaces, video processors, Ultrabook NBs, and supercomputers.

## II. II.A complete and mature planning/marketing/project team

After the successful mass production of NB thermal modules in 1998, the Company obtained certification from renowned system manufacturers all over the world, which enabled it to build up customers in the USA, Europe, and Asia Pacific. A well-crafted marketing strategy combined with pro-active globalization efforts have enabled the Company to become a professional supplier of world-class heat transfer solutions.

## (2) Threats and response strategies

### I. Threats

- i. Broad diversity of product specifications and short life cycle.
- ii. New heat transfer applications call for accelerating industry integration.
- iii. Buyers have dominant bargaining power in the market.

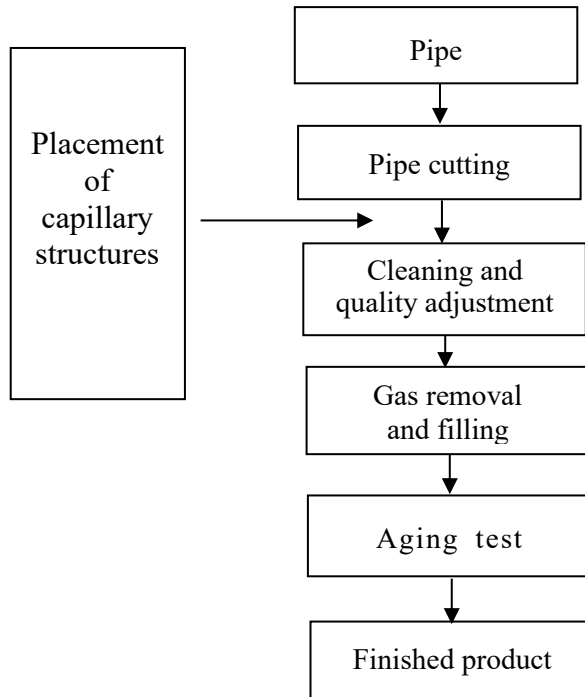
### II. Response strategies:

- i. Secure advantage by focusing on the improvement of thermal materials, technology R&D, and production procedures.
- ii. Monitor industry development and adjust R&D and molding progress in line with customers' product plans.
- iii. Diversify customers and reduce sales concentration risk.
- iv. Apply strict control over inventory level and minimize product obsolescence risk.
- v. Collaborate with peers of the heat transfer industry to introduce products needed by the market, and explore alternative applications.
- vi. New Customers: Explore Chinese, Japanese, and U.S. customers continuously, and venture into heat transfer solutions for smartphones.
- vii. Increase production capacity of vapor chambers (VC), ultra-slim pipes, and heat pipes to satisfy market growth.

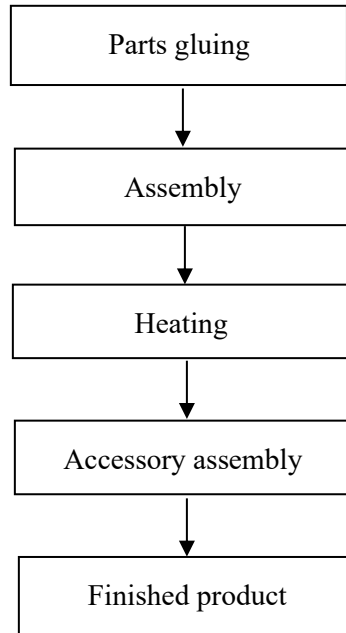
## (II) Main product applications and production processes

Heat pipes, heat sinks, and thermal modules are the main products of the Company; they are primarily used to distribute and dissipate heat in NBs, DTs, servers, and power supplies.

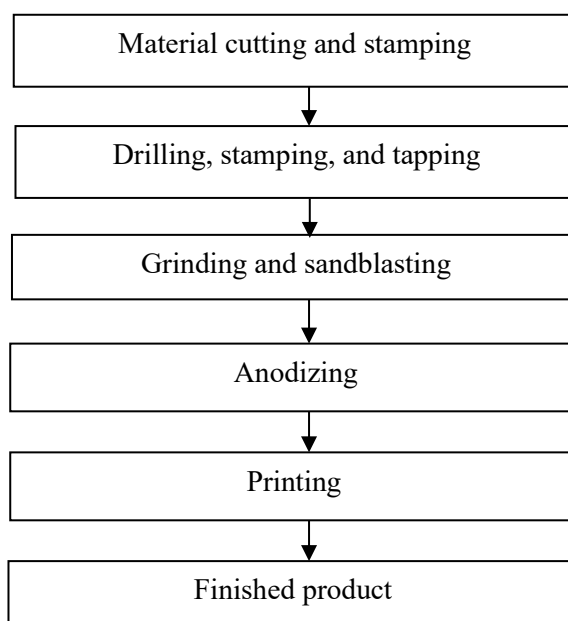
## 1. Heat pipe manufacturing



## 2. Thermal module assembly



### 3. Heat sink



### (III) Supply of main materials

Main materials	Supply location	Supply status
Aluminum die casted components	China	Sufficient
Aluminum extruded components	Taiwan and China	Sufficient
Copper extruded components	China	Sufficient
Fans	China	Sufficient
Heat Pipes	China and Taiwan	Sufficient
Copper pipe materials	China, Taiwan, and Japan	Sufficient
Stamped parts	Taiwan and China	Sufficient

### (IV) List of main buyers, sellers, and suppliers in the last two years

#### 1. Customers representing more than 10% of annual net revenue

Currency unit: NT thousands

Year	2018				2019				As of the first quarter of 2020			
	Name	Amount	As a Percentage of Annual Net Revenue (%)	Relationship with the issuer	Name	Amount	As a Percentage of Annual Net Revenue (%)	Relationship with the issuer	Name	Amount	As a Percentage of Net Revenue (%) in the First Quarter of the Current Year	Relationship with the issuer
1	E00011	1,172,465	15.30	Non-related party	E00001	1,232,394	14.35	Non-related party	E00011	318,327	19.37	Non-related party
2	E00001	1,231,327	16.07	Non-related party	E00011	1,417,684	16.51	Non-related party	E00001	300,822	18.31	Non-related party
3	L00007	732,582	9.56	Non-related party	L00007	780,398	9.09	Non-related party	L00071	175,902	10.70	Non-related party
4	Others	4,525,801	59.07	Non-related party	Others	5,155,696	60.05	Including related party	Others	848,278	51.62	Including related party
	Net Revenue	7,662,175	100.00		Net Revenue	8,586,172	100.00		Net Revenue	1,643,329	100.00	

The Company is a professional manufacturer of heat transfer components. The Company's main products include: NB thermal modules, DT thermal modules, and heat

sinks for PC and consumer electronics accessories. The Company focuses on selling thermal modules to all main customers who are world-renowned PC manufacturers. Overall, the Company's customer base is deemed stable.

2. Suppliers representing more than 10% of annual net purchases

Currency unit: NT thousands

Year	2018				2019				As of the first quarter of 2020			
	Item	Name	Amount	As a Percentage of Annual Net Purchases (%)	Relationship with the issuer	Name	Amount	As a Percentage of Annual Net Purchases (%)	Relationship with the issuer	Name	Amount	As a Percentage of Net Purchases (%) in the First Quarter of the Current Year
1	JIFU	1,340,775	29.53	Non-related party	JIFU	1,424,269	31.91	Non-related party	JIFU	302,822	38.97	Non-related party
2	Others	3,199,038	70.47	Non-related party	Others	3,038,663	68.09	Non-related party	Others	474,194	61.03	Non-related party
	Net Purchases	4,539,813	100.00		Net Purchases	4,462,932	100.00		Net Purchases	777,016	100.00	

Main materials used in the Company's products include: heat pipes, aluminum die casted components, aluminum stamped components, thermal pads, heat sinks, and fans. The Company maintains long-term and productive relationships with its suppliers to secure the source of raw materials.

(V) Production volume and value in the last two years

Unit: capacity - thousand pcs; Volume - thousand pcs; Value - NT thousands

Year	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main Products						
Thermal module	84,000	59,050	5,037,899	84,000	61,493	5,441,702
Heat Sink	36,000	25,768	1,914,706	36,000	35,143	2,325,476
Others (Note)	156,000	11,217	505,673	156,000	82,500	1,082,318
Total	276,000	96,035	7,458,278	276,000	179,136	8,849,496

Note: All products are of different specifications. Unit price and volume are determined depending on the current year's orders, and no single product can be used to calculate production capacity.

(VI) Sales volume and value in the last two years

Unit: NT thousands / thousand pcs

Year	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Thermal module	122	24,314	52,239	5,731,364	37	10,716	59,156	6,328,027
Heat Sink	79	5,550	29,895	1,427,294	65	3,749	26,657	1,500,559
Others	32	10,555	22,674	463,098	3	1,069	20,153	742,052
Total	233	40,419	104,808	7,621,756	105	15,534	105,966	8,570,638



### III. Employees

#### (I) Employee structure

Item		Year	2018	2019	As of March 31, 2020
Employee count	Indirect employees		613	686	731
	Direct employees		1,473	1,947	2,383
	Total		2,086	2,633	3,114
Average age			33.1	34.22	33.33
Average years of service (Years)			4.37	3.73	3.46
Academic background %	Doctoral degree		0.32%	0.30%	0.27%
	Master degree		1.99%	1.78%	1.73%
	Bachelor degree		22.19%	21.87%	22.84%
	Senior High School		29.66%	28.42%	26.71%
	Below Senior High School		45.84%	47.63%	48.45%

#### IV. Environmental protection expenditure information

(I) Losses and fines incurred due to environmental pollution in the last year and up to the publication date of the annual report: None.

(II) Response strategies and possible expenses:

The Company has been implementing ISO14001/ISO45001 (Environmental Safety and Health Management System) for more than a decade, and invested substantial resources into preventing environmental pollution and improving workplace condition for our employees. The Company will continue to assess risks and prevent pollution according to the Environmental Safety and Health Management System, and in doing so minimize impacts of business activity on the natural environment.

(III) Uses of restricted substances in all of the Company's current products have complied with RoHS; all existing suppliers and all products delivered to customers have complied with RoHS directives.

#### V. Labor-management relations

(I) Employee welfare measures and implementation

The Company has placed special attention on maintaining a harmonious labor-management relation since it was first founded. In addition to adopting "integrity, innovation, and pragmatism" as the business philosophy, the Company uses a broad variety of communication channels to learn employees' opinions and thoughts. A list of welfare measures implemented to date is illustrated as follows:

1. Employees of the Company are entitled to labor insurance, national health insurance, group insurance, regular health checkups, pension benefit, festive bonus, remuneration, job rotation, salary adjustment, and training.
2. The Company has assembled an Employee Welfare Committee and appointed Committee Members to oversee employees' welfare. Welfare budgets are prepared on a yearly basis and are funded by contributing a fixed percentage of share capital, monthly revenue, employee salary, and scrap sales. Welfare budgets are used for purposes such as: employee trips, gatherings, wedding/funeral subsidies, scholarships, entertainment, and birthday cash.
3. Formulate Employee Compensation Distribution Methods to align employees' interests with those of the Company.

## (II) Employees' education and training

The Company has been certified for ISO 9001、ISO14001、ISO45001, and places great emphasis on employee's occupational safety and skill training. The Company devises next year's "Annual Education and Training Plan" at the end of each year, and executes them in accordance with the quality/environment/safety and health system to help employees develop knowledge and experience in ways that support the Company's growth. The Company values the importance of talents incubation.

In ways that support the Company's growth. The Company offers pre-job and on-the-job training to improve employees' skills over the course of their career. The summary of courses includes:

1. Training and education plan for new recruits, including: organization overview, introduction to the environment, occupational health and safety training, ethical corporate management best practice principles, and internal control system.
2. Training on the Company's policies and ISO systems.
3. Professional skill courses and certification courses for existing employees (internal and external training).
4. Fire drills
5. Internal and external training courses received a total of 5,593 enrollments in 2019; training expenses for the year amounted to NT\$449,000.

## (III) Retirement system and execution

All overseas businesses have implemented retirement systems according to local regulations, and make full contribution to employees' individual pension accounts or provision accounts specified by the local authority.

In Taiwan, in order to secure the life of employees after retirement, the Company formulates labor retirement rules according to law, and establishes a labor retirement reserve monitoring committee, and regularly sets a monthly retirement reserve at a rate of 3.6% of total salary expenses and deposits it in Bank of Taiwan (formerly a special account of the Central Trust Bureau) to protect labor rights and interests. Since July 1, 2005, the new government retirement plan has been adopted in parallel, and 6% of the employee's personal income has been allocated to the employee's personal pension account. The voluntary pension contributions, if any, will be appropriated from the employee's monthly salary at the voluntary contribution rate, which will be deposited in the respective personal pension account with the Bureau of Labor Insurance.

The Company's applicable regulations under the Labor Standards Act are as follows:

### 1. Voluntary retirement:

Workers can voluntarily retire in one of the following circumstances: (For the application of the Labor Pension Act, it is to be handled in accordance with the same Act)

- (1) Those who have worked for more than 15 years and have reached the age of 55.
- (2) Those who have worked for more than 25 years.
- (3) Those who have worked for more than 10 years and have reached the age of 60.

### 2. Mandatory retirement:

The Company may force an employee to retire in one of the following situations:

- (1) Those who are over 65 years old.
- (2) Loss of mind or physical disability and is incompetent for work.

For the age specified in the first paragraph, the Company may report to the central competent authority for approval to have it adjusted accordingly for workers performing danger works that require strong physical strength. But not less than 55 years old.

### 3. Standard for pension payment:

- (1) For the work seniority before and after being subject to the Labor Standards Act and those who have chosen to be subject to the "Labor Standards Act" pension provisions according to the Labor Pension Act or retaining the work seniority accumulated before the application of the Labor Pension Act, the pension payment and standard

are calculated and paid in accordance with Article 84-2 and Article 55 of the Labor Standards Act.

(2) For employees who are forced to retire in accordance with Article 54, paragraph 1, sub-paragraph 2, the loss of mind or physical disability is due to the performance of their duties, additional 20% pension amount will be paid according to Article 55, paragraph 1, sub-paragraph 2 of the Labor Standards Act.

(3) For employees who are subject to the pension provisions of the Labor Pension Act, the Company pays 6% of their monthly salary to the individual retirement pension account of the employee.

4. Pension payment:

The Company shall pay the employees' pension in accordance with the latest Labor Standards Act.

(IV) Employees' behavior and ethics principles

The Company has policies and rules in place to promote employees' understanding of ethics, obligations, rights, and proper conduct. A summary of the policies is illustrated as follows:

1. Levels of approval authority: The document outlines the approval authority for each level of management and provides the basis for accountability in order to improve the overall performance of the Company.

2. Organizational responsibility and internal communication policy: The policy outlines the structure of the overall organization and the scope of authority and responsibility for each department.

3. Education and training policy:

(1) New recruits are subjected to training courses on safety and health, personnel management, ISO, internal control, and ethical corporate management to help them understand their responsibilities and obligations.

(2) Provide professional skills and knowledge necessary for professionals through external and internal training.

(V) Enforcement of labor agreements and employee rights

The Company adopts a people-oriented management approach and considers a harmonious labor-management relation critical to its human resources strategy.

The Company has implemented the Female Worker Protection Procedures and Sexual Harassment Prevention Policy in accordance with existing regulations, such as, the Act of Gender Equality in Employment to enforce equal gender values and dignity within the workplace. Employees are able to raise complaints in writing to the dedicated mailbox or to the Administrative Department; all complaints are handled appropriately in a timely manner for the protection of employees' rights and enforcement of workplace safety.

All employment-related policies are fully communicated between the management and employees in the utmost integrity and accountability. The Company convenes quarterly labor-management meetings where employee representatives may express suggestions and opinions on issues that are of the highest concern to workers. All issues raised are thoroughly discussed to ensure mutual understanding, and eventually develop a consensus that enables a harmonious employment relationship.

In addition, the Company has also assembled an Employee Welfare Committee in compliance with the law to oversee issues concerning employees' welfare. Entertainment activities are organized from time to time to promote harmony and unity within the workplace.

(VI) Work environment and employees' safety protection

1. Workers' safety and health:

(1) The Company formulates "Worker Safety and Health Plans" on a yearly basis and substantiates "Operating Environment inspections," "Education and Training," "Employee Health Checkups," and various requirements.

(2) Changes in the safety and health officer are updated in accordance with the law.

(3) Standard operating procedures have been devised for all machinery and equipment.

(4) The Company adopts ISO 45001 for continuous improvement of safety and health.

2. Environmental protection:

(1) All waste disposal is reported to the Environmental Protection Administration.

(2) The Company adopts ISO 14001 for continuous improvement of environmental protection.

3. Fire Safety:

(1) “Fire drills” are held once every six months.

(2) The Company performs visual and performance inspection on fire safety equipment on a monthly basis.

(3) The Company engages a professional fire safety institution for annual “Fire Safety Inspections.”

(VII) Losses as a result of employment disputes in the last year up to the publication date of the annual report: None.

(VIII) Disclosure of actual or potential loss amount and response measure

The Company values the importance of communication in employment relations and organizes regular labor-management meetings where the two sides are free to express opinions. The Company has been able to maintain a harmonious employment relationship since it was first founded, and has encountered no losses whatsoever due to employment dispute. The Company will continue introducing employee welfare measures in the future to unite employees and maintain a productive employment relationship.

## VI. Major Contracts

Material contractual arrangements relevant to shareholders’ interest, such as, supply/sales agreements, technological collaboration contracts, construction contracts, and long-term borrowing contracts that are currently in effect or expired in the last year: None

## Six. Financial Summary

### I. Condensed Balance Sheet and Comprehensive Income Statement for the Last Five Years

#### (I) Condensed Balance Sheet for the Last Five Years – IFRS (Consolidated)

Currency unit: NT thousands

Year		Financial Information for the Last Five Years (Note 1)					As of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Item							
Current Assets		4,935,071	5,169,344	4,875,493	5,253,442	5,397,234	4,781,647
Property, Plants, and Equipment		1,037,103	1,323,167	1,362,019	1,329,492	1,609,032	1,775,835
Intangible Assets		3,667	6,705	9,217	13,093	11,523	10,754
Other Assets		239,418	230,964	242,687	303,459	249,186	225,665
Total Assets		6,215,259	6,730,180	6,489,416	6,899,486	7,266,975	6,793,901
Current Liabilities	Before Distribution	2,455,377	2,636,903	2,604,129	2,666,513	2,737,883	2,229,220
	After Distribution	2,930,266	3,284,479	2,945,185	3,072,327	Note2	Note2
Non-current Liabilities		265,538	311,247	286,632	394,677	470,034	480,425
Total Liabilities	Before Distribution	2,720,915	2,948,150	2,890,761	3,061,190	3,207,917	2,709,645
	After Distribution	3,195,804	3,595,726	3,231,817	3,467,004	Note2	Note2
Equity Attributable to Parent Company Shareholders		3,494,344	3,782,030	3,598,655	3,838,296	4,059,058	4,084,256
Ordinary Shares		863,434	863,434	863,434	863,434	863,434	863,434
Capital Surplus		531,823	531,823	531,823	531,823	531,823	531,823
Retained Earnings	Before Distribution	2,017,953	2,484,301	2,334,304	2,628,521	2,886,170	2,976,380
	After Distribution	1,543,064	1,836,725	1,993,248	2,222,707	Note 2	Note2
Other Equity Items		81,134	(97,528)	(130,906)	(185,482)	(222,369)	(287,381)
Treasury Stock		-	-	-	-	-	-
Non-controlling Equity		-	-	-	-	-	-
Total Equity	Before Distribution	3,494,344	3,782,030	3,598,655	3,838,296	4,059,058	4,084,256
	After Distribution	3,019,455	3,134,454	3,257,599	3,432,482	Note 2	Note2

Note 1: The above financial information has been prepared based on IFRS and audited (reviewed) by the CPAs.

Note 2: Appropriation of 2019 earnings has not been resolved in the Shareholders' Meeting.

## (II) Condensed Balance Sheet for the Last Five Years – IFRS (Standalone)

Currency unit: NT thousands

Item	Year	Financial Information for the Last Five Years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Current Assets		3,080,383	3,493,033	3,576,488	3,510,273	3,265,960	-
Property, Plants, and Equipment		366,931	391,896	393,213	400,475	457,404	-
Intangible Assets		2,229	4,753	6,071	5,445	4,453	-
Other Assets		2,580,156	2,827,043	2,624,718	2,980,305	3,327,867	-
Total Assets		6,029,699	6,716,725	6,600,490	6,896,498	7,055,684	-
Current Liabilities	Before Distribution	2,270,511	2,631,633	2,715,873	2,664,830	2,531,462	-
	After Distribution	2,745,400	3,279,209	3,056,929	3,070,644	Note 2	-
Non-current Liabilities		264,844	303,062	285,962	393,372	465,164	-
Total Liabilities	Before Distribution	2,535,355	2,934,695	3,001,835	3,058,202	2,996,626	-
	After Distribution	3,010,244	3,582,271	3,342,891	3,464,016	Note 2	-
Ordinary Shares		863,434	863,434	863,434	863,434	863,434	-
Capital Surplus		531,823	531,823	531,823	531,823	531,823	-
Retained Earnings	Before Distribution	2,017,953	2,484,301	2,334,304	2,628,521	2,886,170	-
	After Distribution	1,543,064	1,836,725	1,993,248	2,222,707	Note 2	-
Other Equity Items		81,134	(97,528)	(130,906)	(185,482)	(222,369)	-
Treasury Stock		-	-	-	-	-	-
Total Equity	Before Distribution	3,494,344	3,782,030	3,598,655	3,838,296	4,059,058	-
	After Distribution	3,019,455	3,134,454	3,257,599	3,432,482	Note 2	-

Note 1: The above financial information has been prepared based on IFRS and audited by the CPAs.

Note 2: Appropriation of 2019 earnings has not been resolved in the Shareholders' Meeting.

## (III) Condensed Comprehensive Income Statement for the Last Five Years - IFRS (Consolidated)

Currency unit: NT thousands

Item	Year	Financial Information for the Last Five Years (Note 1)					As of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Operating Revenue		6,043,808	7,296,933	7,067,221	7,662,175	8,586,172	1,643,329
Gross Profit		1,485,914	1,908,889	1,463,166	1,551,889	1,858,195	245,888
Operating Gains and Losses		801,336	1,193,969	766,980	826,703	973,781	50,664
Non-operating Income and Expenses		139,842	85,697	(101,924)	104,345	(5,924)	57,417
Net income before tax		941,178	1,279,666	665,056	931,048	967,857	108,081
Current Net Income From Continuing Operations		670,931	945,827	500,265	595,610	701,534	90,210
Loss From Discontinued Operations		-	-	-	-	-	-
Current Net Income (Loss)		670,931	945,827	500,265	595,610	701,534	90,210
Other Comprehensive Income for the Current Period (Net, After-tax)		(34,009)	(183,252)	(36,064)	(30,341)	(74,958)	(65,012)
Total Current Comprehensive Income		636,922	762,575	464,201	565,269	626,576	25,198
Net Income Attributable to Parent Company Shareholders		670,931	945,827	500,265	595,610	701,534	90,210
Net Income Attributable to Non-controlling Equity		-	-	-	-	-	-
Comprehensive Income Attributable to Parent Company Shareholders		636,922	762,575	464,201	565,269	626,576	25,198
Comprehensive Income Attributable to Non-controlling Equity		-	-	-	-	-	-
Earnings per Share		7.77	10.95	5.79	6.90	8.12	1.04

Note 1: The above financial information has been prepared based on IFRS and audited (reviewed) by the CPAs.

## (IV) Condensed Comprehensive Income Statement for the Last Five Years - IFRS (Standalone)

Currency unit: NT thousands

Item	Year	Financial Information for the Last Five Years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Operating Revenue		4,355,866	5,231,524	5,451,451	5,724,321	6,308,832	-
Gross Profit		627,079	775,080	573,273	534,802	713,832	-
Operating Gains/Losses		321,119	419,478	229,112	157,509	256,276	-
Non-operating Income and Expenses		487,875	713,381	385,967	657,591	612,599	-
Net income before tax		808,994	1,132,859	615,079	815,100	868,875	-
Current Net Income From Continuing Operations		670,931	945,827	500,265	595,610	701,534	-
Loss From Discontinued Operations		-	-	-	-	-	-
Current Net Income (Loss)		670,931	945,827	500,265	595,610	701,534	-
Other Comprehensive Income for the Current Period (Net, After-tax)		(34,009)	(183,252)	(36,064)	(30,341)	(74,958)	-
Total Current Comprehensive Income		636,922	762,575	464,201	565,269	626,576	-
Earnings per Share		7.77	10.95	5.79	6.90	8.12	-

Note 1: The above financial information has been prepared based on IFRS and audited by the CPAs.

## (V) Names of Auditors and Audit Opinions for the Last Five Years

Year	Accounting Firm	Name of Accountant	Audit Opinion
2015	KPMG	Hui-Chih Ko and Hsin-Yi Kuo	Unqualified Opinion
2016	KPMG	Hui-Chih Ko and Hsin-Yi Kuo	Unqualified Opinion
2017	KPMG	Hsin-Yi Kuo and Pei-Chi Chen	Unqualified Opinion
2018	KPMG	Hsin-Yi Kuo and Ji-Long Yu	Unqualified Opinion
2019	KPMG	Hsin-Yi Kuo and Hui-Chih Ko	Unqualified Opinion



II. Financial Analysis for the Last Five Years  
(I) Financial Analysis - IFRS (Consolidated)

Analysis items		Year	Financial Analysis for the Last Five Years					As of March 31, 2020
		2015	2016	2017	2018	2019		
Financial Structure	Debt to Asset Ratio (%)	43.77	43.80	44.54	44.36	44.13	39.88	
	Long-term Capital to Property, Plants, and Equipment Ratio (%)	362.53	309.35	285.2	318.39	281.47	257.04	
Solvency	Current Ratio (%)	200.99	196.03	187.22	197.01	197.13	214.49	
	Quick Ratio (%)	163.82	166.70	153.33	154.69	159.56	173.43	
	Interest Coverage Ratio	176.49	321.23	124.70	619.22	1,076.39	832.39	
Operating Efficiency	Accounts Receivable Turnover (Times)	3.29	3.59	3.28	3.33	3.22	2.61	
	Average Cash Collection Days	110.94	101.67	111.28	109.60	113.35	139.84	
	Inventory Turnover (Times)	5.51	6.57	6.90	6.20	6.39	5.94	
	Accounts Payable Turnover (Times)	3.09	3.22	3.19	3.37	3.48	3.14	
	Average Inventory Turnover Days	66.24	55.55	52.89	58.87	57.12	61.44	
	Property, Plants, and Equipment Turnover (Times)	5.82	5.51	5.18	5.76	5.33	0.92	
	Total Asset Turnover (Times)	0.97	1.08	1.08	1.11	1.18	0.24	
Profitability	Return on Assets (%)	11.48	14.65	7.62	8.91	9.91	1.28	
	Return on Equity (%)	20.03	25.99	13.55	16.01	17.76	2.21	
	Net income before tax to Paid-in Capital ratio (%)	109.00	148.20	77.02	107.83	112.09	12.51	
	Net Profit ratio (%)	11.10	12.96	7.07	7.77	8.17	1.37	
	Earnings per Share (NTD)	7.77	10.95	5.79	6.90	8.12	1.04	
Cash Flow	Cash Flow Ratio (%)	39.70	45.78	23.52	12.54	38.35	15.51	
	Cash Flow Adequacy Ratio (%)	117.53	125.35	117.24	98.47	105.59	100.73	
	Cash Reinvestment Ratio (%)	14.92	15.98	(0.79)	(0.14)	12.31	6.51	
Degree of Leverage	Operating Leverage	1.69	1.52	1.77	1.80	1.83	5.00	
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00	
<p>Causes of difference in financial ratio exceeding 20% in the last two years:            Since the growth of revenue current year, profit and net cash inflow from operating activities increased, the interest coverage ratio and each cash flow ratio increased compared with last year.</p>								

## (II) Financial Analysis - IFRS (Standalone)

Analysis		Year	Financial Analysis for the Last Five Years					As of March 31, 2020
		2015	2016	2017	2018	2019		
Financial Structure	Debt to Asset Ratio (%)	42.04	43.69	45.47	44.34	42.47	-	
	Long-term Capital to Property, Plants, and Equipment Ratio (%)	1,024.49	1,042.20	987.73	1,056.66	988.94	-	
Solvency	Current Ratio (%)	135.66	132.73	131.68	131.72	129.01	-	
	Quick Ratio (%)	112.70	112.99	110.72	105.26	102.77	-	
	Interest Coverage Ratio	347.01	755.23	261.07	544.03	1,759.85	-	
Operating Efficiency	Accounts Receivable Turnover (Times)	3.81	3.91	3.54	3.46	3.60	-	
	Average Cash Collection Days	95.80	93.35	103.10	105.49	101.38	-	
	Inventory Turnover (Times)	7.25	8.60	9.00	8.18	8.22	-	
	Accounts Payable Turnover (Times)	2.18	2.16	2.21	2.36	2.49	-	
	Average Inventory Turnover Days	50.34	42.44	40.55	44.62	44.4	-	
	Property, Plants, and Equipment Turnover (Times)	11.87	13.34	13.86	14.29	13.20	-	
	Total Asset Turnover (Times)	0.72	0.77	0.82	0.83	0.85	-	
Profitability	Return on Assets (%)	11.76	14.86	7.54	8.84	10.06	-	
	Return on Equity (%)	20.03	25.99	13.55	16.01	17.76	-	
	Net income before tax to Paid-in Capital ratio (%)	93.69	131.20	71.23	94.40	100.63	-	
	Net Profit ratio (%)	15.40	18.07	9.17	10.40	11.61	-	
	Earnings per Share (NTD)	7.77	10.95	5.79	6.90	8.12	-	
Cash Flow	Cash Flow Ratio (%)	20.45	25.26	3.98	10.78	17.12	-	
	Cash Flow Adequacy Ratio (%)	85.54	95.39	78.81	67.51	72.06	-	
	Cash Reinvestment Ratio (%)	3.11	4.54	(13.51)	(1.23)	0.59	-	
Degree of Leverage	Operating Leverage	1.77	1.69	2.20	2.89	2.47	-	
	Financial Leverage	1.00	1.00	1.01	1.00	1.00	-	

Causes of difference in financial ratio exceeding 20% in the last two years:

Since the growth of revenue current year, profit and net cash inflow from operating activities increased, the interest coverage ratio and each cash flow ratio increased compared with last year.

Financial analysis formulas are as follows:

1. Financial structure
  - (1) Debt to Asset Ratio = Total liabilities / total assets.
  - (2) Long-term Capital to Fixed Assets Ratio = (Net shareholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
  - (1) Current Ratio = Current assets/current liabilities.
  - (2) Quick Ratio = (Current assets - inventory - prepayments) / current liabilities.
  - (3) Interest Coverage Ratio = Net income before interest and tax / interest expenses for the current period.
3. Operating Efficiency
  - (1) Receivables Turnover (including accounts receivable and notes receivable from business activities) = Net sales/average receivables balance (including accounts receivable and notes receivable from business activities).
  - (2) Average Cash Collection Days = 365 / receivables turnover.
  - (3) Inventory Turnover = Cost of goods sold / average inventory balance.
  - (4) Payables Turnover (including accounts payable and notes payable for business activities) = Cost of goods sold / average payables balance (including accounts payable and notes payable for business activities).
  - (5) Average Inventory Turnover Days = 365 / inventory turnover.
  - (6) Fixed Asset Turnover = Net sales / average net fixed assets.
  - (7) Total Asset Turnover = Net sales / average total assets.
4. Profitability
  - (1) Return on Assets = [Net income + interest expenses x (1- tax rate)] / average asset balance.
  - (2) Return on Shareholders' Equity = Net income/average shareholders' equity.
  - (3) Net Profit ratio = Net income / net sales.
  - (4) Earnings per Share = (Net income - preferred stock dividends) / weighted average outstanding shares.
5. Cash Flow
  - (1) Cash Flow Ratio = Net cash flow from operating activities / current liabilities.
  - (2) Cash Flow Adequacy Ratio = Net cash flow from operating activities for the last 5 years / (Capital expenditure + increase in inventory + cash dividends) for the last 5 years.
  - (3) Cash Reinvestment Ratio = (Net cash flow from operating activities - cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).
6. Degree of Leverage
  - (1) Degree of Operating Leverage = (Net operating income - variable operating costs and expenses) / operating profit.
  - (2) Degree of Financial Leverage = Operating profit / (operating profit - interest expenses).

III. Supervisors' Review on the 2019 Financial Statements: Refer to Appendix on P.131

IV. 2019 Audited Consolidated Financial Statements: Refer to Appendix on P.132 ~ P.200

V. 2019 Audited Standalone Financial Statements: Refer to Appendix on P.201 ~ P.265

VI. Financial difficulties encountered by the Company or any of its affiliated companies, and impacts on the Company's Finance in the recent year and up to the publication date of the Annual Report: None.

## Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

### I. Analysis of Changes in Financial Position

Currency unit: NT thousands

Item	Year	2018	2019	Difference	
				Amount	%
Current Assets		5,253,442	5,397,234	143,792	2.74
Property, Plants, and Equipment		1,329,492	1,609,032	279,540	21.03
Intangible Assets		13,093	11,523	(1,570)	(11.99)
Other Assets		303,459	249,186	(54,273)	(17.88)
Total Assets		6,899,486	7,266,975	367,489	5.33
Current Liabilities		2,666,513	2,737,883	71,370	2.68
Non-current Liabilities		394,677	470,034	75,357	19.09
Total Liabilities		3,061,190	3,207,917	146,727	4.79
Equity Attributable to Parent Company Shareholders		3,838,296	4,059,058	220,762	5.75
Ordinary Shares		863,434	863,434	0	-
Capital Surplus		531,823	531,823	0	-
Retained Earnings		2,628,521	2,886,170	257,649	9.80
Other Equity Items		(185,482)	(222,369)	(36,887)	19.89
Total Equity		3,838,296	4,059,058	220,762	5.75

Change in the difference ratio exceeding 20%: Due to the adoption of the accounting treatment of IFRS 16 “Leases”, the right-of-use assets of real estate, plant and equipment have increased.

### II. Analysis of Business Performance

Currency unit: NT thousands

Item	Year	2018	2019	Difference	
				Amount	%
Net operating income		7,662,175	8,586,172	923,997	12.06
Operating costs		6,110,286	6,727,977	617,691	10.11
Gross Profit		1,551,889	1,858,195	306,306	19.74
Operating expenses		725,186	884,414	159,228	21.96
Operating profit		826,703	973,781	147,078	17.79
Non-operating Income and Expenses		104,345	(5,924)	(110,269)	(105.68)
Current net income before tax		931,048	967,857	36,809	3.95
Income tax expenses		335,438	266,323	(69,115)	(20.60)
Net income		595,610	701,534	105,924	17.78

- (I) The Company generated consolidated net operating income amounted to NT\$8,586,172 thousands in 2019, up 12% from the NT\$7,662,175 thousands in 2018. Net income before tax amounted to NT\$967,857 thousands, up 4% from the NT\$931,048 thousands in 2018. Net income amounted to NT\$701,534 thousands, 18% higher than the previous year. The high-end PCs, smart phones, electronic products with more sophisticated and powerful functions, improved heat dissipation power, and

high-wattage heat dissipation products have helped driven the Company's business operation to grow continuously.

- (II) Expected sales, the basis of estimation, likely impacts on the Company's future financial position, and response plans: Refer to p.3.

### III. Cash Flow

#### (I) Analysis of Cash Flow Differences in the Last Year

The Company's cash and cash equivalents balance in 2019 was NT\$15,180 thousands more than 2018. Changes in cash flow from operating activities are explained as follows:

Currency unit: NT thousands

Item	Year	2018	2019	Increase (decrease) ratio (%)
Net Cash Inflow (Outflow) From Operating Activities		334,557	1,049,997	213.85
Net Cash Inflow (Outflow) From Investing Activities		(134,098)	(421,847)	214.58
Net Cash Inflow (Outflow) From Financing Activities		(550,421)	(513,392)	(6.73)
Cash Flow Ratio (%)		12.54	38.35	205.82
Cash Flow Adequacy Ratio (%)		98.47	105.59	7.23
Cash Reinvestment Ratio (%)		(0.14)	12.31	(8,892.86)

1. The increase in net cash inflows from operating activities and the increase in the cash flow ratio and cash reinvestment ratio were mainly due to the decrease in inventories and growth in revenue and profit.

2. Investment activities are mainly for the purchase and replacement of production equipment, therefore the cash outflow amount has increased compared with last year.

#### (II) Improvements for lack of liquidity and liquidity analysis for the next year

Currency unit: NT thousands

Opening Cash Balance(1)	Expected Annual Net Cash Flow from Operating Activities(2)	Expected Annual Cash Outflow (3)	Expected Cash Surplus (Deficit) amount (1)+(2)-(3)	Remedial measure for expected cash deficits	
				Investment Plans	Financing Plans
1,470,714	349,000	1,481,534	338,180	-	-

Analysis of Cash Flow for the Year:

- (1) Operating Activities: There will be no change of trade terms in 2020, and the Company expects to generate net cash inflow from operating activities.
- (2) Investing and financing activities: The implementation of the Vietnam investment plan, the purchase of land, self-built factories, and purchase of equipment caused increase of net cash outflow from investing activities.

#### IV. Material Capital Expenditures in the Last Year and Impact on Business Performance:

The Company acquired NT\$425,674 thousands of property, plants, and equipment in 2019; all of which were for production line process improvement and renewal of existing production equipment. In addition to maintaining existing NB customers, the Company will also take the initiative in developing heat dissipation solutions for non-NB products.

#### V. Causes of profit or loss incurred on investments in the last year, and any improvement plan or investments planned for the next year

### (I) Investment policy

The Company's investment decision-making is based on considerations, such as, internationalization, coordination with operational growth needs, government regulations, and investment environment. Invest in China through the third region, setup production bases in Shanghai Kunshan and Chongqing to serve customers nearby and to shorten order delivery lead time and delivery routes. In addition, the Company has offices established in the USA, and southern China for serving customers nearby, gathering industry information, and developing market. Moreover, in order to build another important production base, the Company has established a new subsidiary in Vietnam in the first quarter of 2020 to engage in major investment in Hanoi of Vietnam in the future.

### (II) Investment analysis

Currency unit: NT thousands

Name of invested company	Description	Investment gains recognized in 2019	Main Causes of Profit or Loss	Improvement Plans	Investment Plans for the Coming Year
Conquer Wisdom Co.,Ltd.		402,879	Gains recognized from invested companies	None	None
Chaun Choung Technology America Inc.		(185)	More aggressive development of the U.S. market.	None	None
GIOBE STAR ENTERPRISE LIMITED		404,793	Gains recognized from invested companies	None	None
Kunshan Jue-Choung Electronics Co., Ltd.		201,577	Adjust production capacity to meet market demand	None	None
Dongguan Chiuan-Vector Industrial Co., Ltd.		(407)	Still in the market development stage.	Ongoing development of new customers.	None
Chongqing Cyun Siang High-Tech Co., Ltd.		203,246	Adjust production capacity to meet market demand	None	None

## VI. Analysis of Risk Management

### (I) Risk Management Policy, Organizational Structure

The Company's Board of Directors is fully authorized to establish and supervise the risk management framework of the consolidated company. A Chairman's Office and a Group Operations Center have been created under the Board of Directors to oversee development and control of the risk management policy of the consolidated company. The Company's risk management policy and system are regularly reviewed and adjusted to reflect market conditions and changes within the operation of consolidated company. The Company hopes to develop a disciplined and constructive controlled environment through training, internal control method, and operating procedure in order to make employees understand their roles and obligations.

#### 1. Business Risks

The Company's General Manager convenes regular meetings with General Managers from various subsidiaries to devise business strategies and evaluate risks. Review the operation performance afterwards in order to achieve the Company's operating goals.

#### 2. Financial Risk

Use of financial instruments exposes the Company to credit risk, liquidity risk, and market risk. The Company's credit risk exposure arises mainly from customers' accounts receivable. The Company has implemented a credit policy to analyze and assign a credit rating and credit limit for each customer. These ratings and limits are reviewed on a regular basis. Customers that fail to meet the minimum credit rating may only deal on a prepaid basis. The Company maintains an allowance account to reflect losses estimated

on receivables. The Company applies the materiality principle and evaluates each account for signs of material impairment based on objective evidence on every balance sheet date. Accounts that exhibit material impairment on an individual basis are assigned a 100% bad debt rate, whereas accounts that show signs of impairment without reaching materiality are assessed on a case-by-case basis. Accounts that show no objective evidence of impairment and others are grouped by credit risk attributes, and shall have bad debts recognized using tiered impairment rates (amount of bad debt/amount of sales) based on records for the last three years.

(II) Impact of Interest Rate, Exchange Rate, and Inflation on the Company's Earnings, and Response Measures in the Future:

1. Impacts of Changes in Interest Rate on the Company's Profit and Loss, and Response Measures in the Future:

The Company adopts a conservative and pragmatic approach towards managing capital, and borrows working capital from financial institutions to support its growing business. Changes in the short-term borrowing interest rate do not have material impact on the Company's borrowing costs.

2. Impacts of Change in Exchange Rate and Response Measures:

The Company and subsidiaries generate almost 100% of their revenues from export sales. Transactions are conducted primarily in USD. Net exchange gains for 2019 amounted to NT\$28,858 thousands, representing 0.34% of net revenues. The Company and subsidiaries adopt the following measures in response to the risk of exchange rate volatility:

(A) Close observation of exchange rate movement, and use of foreign currency account to adjust foreign currency positions and reduce adverse impacts of exchange rate volatility.

(B) Suppliers are paid in USD where possible to minimize USD currency held on hand.

3. Impacts of Inflation on the Company's Profit and Loss, and Response Measures in the Future:

The Company and subsidiaries did not encounter any significant inflationary impacts in their domiciled locations in 2019.

(III) Policies on High-risk and Highly Leveraged Investments, Loaning of Funds, Endorsements/Guarantees, and Trading of Derivatives; Describe the Main Causes of any Profit or Loss Incurred and Future Response Measures:

1. The Company prohibits high-risk and highly leveraged investments. The Company did not engage in any high-risk or highly leveraged investment, loaning of funds, endorsements/guarantees, or trading of derivatives in 2019 that resulted in profit or loss.

2. According to the Company's "Endorsements and Guarantees Policy," total endorsements/guarantees to external parties shall not exceed 30% of the Company's net worth, whereas endorsements/guarantees to single counterparty shall not exceed 20% of the Company's net worth. The Company and its subsidiaries did not engage in endorsements/guarantees for others in 2019.

3. The Company's subsidiary - Kunshan Jue-Choung Electronics Co., Ltd. has implemented an "Loaning of Funds Policy" that allows loaning to foreign subsidiaries in which the Company holds 100% direct or indirect voting interest. The total amount of loans granted and due to the purpose of short-term financing or business dealings' loan amount shall not exceed the net worth of Kunshan Jue-Choung Electronics Co., Ltd., as shown in the latest audited or auditor-reviewed financial statements. Kunshan Jue-Choung Electronics Co., Ltd. granted loan to Chongqing Cyun Siang High-Tech Co., Ltd. in 2019 for working capital. The related operation was conducted in accordance with the internal control system and was executed with the approval of the Board of Directors and fully disclosed in the audited and auditor-reviewed financial statements.

(IV) Future Research and Development Plans and Projected R&D Expenses

The Company expects to invest in research and development for NT\$454,375 thousands in 2020. Future R&D Plans by Category:

R&D Category	Expected R&D Project	Expected R&D Schedule
Sports/Display and Audiovisual Entertainment	New generation VR game console cooling solution	2020.01.01-2021.01.01
Electricity/Telematics	1. High-performance water-proof and dust-proof heat transfer solution.	2018.01.01-2024.01.01
Industry/Communication	1. Development of a thermal module for optical communication. 2. Development of a workstation liquid cooling system. 3. High-power AI chip thermal module development	2017.01.01-2021.01.01 2017.01.01-2022.01.01 2020.01.01-2022.01.01

(V) Financial Impacts and Response Measures due to Change of Local and Foreign Policies and Regulations in Recent Years:

The Company operates in Taiwan, Mainland China, and the USA. Taiwan and Mainland China have successively amended the labor law and regulations in recent years to promote friendly workplaces and to protect labor rights. In response to the rising personnel cost, the Company will enhance the education and training of its employees and aim to mitigate the impact with better work efficiency. In addition, the Company observes domestic and foreign policy development trends and changes in regulations; also, collects relevant information for the reference of the management in decision-making, or consults with external professional units in order to take appropriate measures, so there is no significant impact on the Company's finance and business operation.

(VI) Financial Impacts and Response Measures due to Technological or Industrial Changes in the Last Year:

Recent changes in technology and the rise of cloud systems have resulted in an increasing number of tablet and smartphone users that did indeed impact global shipment of notebooks. However, whichever the electronic or communication product involved, miniaturization and functional improvements are constantly happening, whereas CPU power is progressively enhanced for more intensive processing of communication and graphic rendering, causing cellphone chipsets to generate more heat year after year. To ensure that electronic components remain able to perform consistently under high temperature with product stability and reliability maintained, heat management is becoming a critical technology to 3C and communication industries. This trend is the established direction for the research and development of Chaun-Choung Technology Corp.:

PCs remain the largest market for heat sink and thermal modules, and the main applications are for CPUs, Chipsets, VGA (graphics) cards, and MCMs (single and multi-chip modules). Applications for downstream products include DTs, NBs, servers, workstations, and power supply. The Company will continue exploring broad and diversified applications for diversity other than PCs.

In prospect, the Company will aim to secure its current market share in PC heat transfers, and accommodate the rapid changes and growth of the computer/network/communication industry by recruiting capable R&D talents to improve heat transfer efficiency and explore new applications and competitive edges. Therefore, technological changes will bring new heat transfer opportunities to the benefit of the Company in financial and business performance.



(VII) The impact of recent corporate image changes on corporate crisis management and response measures in the last year:

The participation of Nidec Corporation in the Company's management team has highly strengthened the Company's internal control, improved the Company's management, and upgraded the Company's popularity and image, and positively helped the Company's sustainability. The Company is committed to secure its position as a leading manufacturer of heat transfer technology, continue to actively expand international business, obtain the maximum benefits with the best operating efficiency, and share its operating results with all shareholders and employees. In addition, the Company has adopted a business model that places more emphasis on corporate image and corporate responsibilities, and as a result, no event of significant impact on corporate image has occurred to date.

(VIII) Expected Benefits, Risks, and Response Measures of Planned Mergers and Acquisitions:

The Company did not merge or acquire other entities in 2019 and up to the publication date of the Annual Report.

(IX) Expected Benefits, Risks, and Response Measures Associated with Plant Expansions:

The Company will adjust its production capacity based on the strengths and characteristics of each production location in order to accommodate the market's changing supplies and demands. In addition, in order to grasp the opportunity of 5G industry development trends and expand production capacity, as well as establish another core production base, the Board of Directors Meeting of the Company on December 9, 2019 makes a resolution to build a plant in Hanoi, Vietnam to engage the major investment. This will help the expansion of the Company's operating scale and grasp the business opportunities; but the expansion of the plant will increase the Company's cash expenditures, operating costs and expenses. If it cannot relatively enhance the earnings, it will have a negative impact on the Company's financial performance. In addition to the abundant resources and support of the parent company Nidec Corporation, the Company will continue to observe changes in industry and market supply and demand, maintain close cooperation with customers and continue to explore new customers to reduce the possible negative impact of the expansion of the plant on the Company's financial performance.

(X) Risks and Response Measures Associated with Concentrated Sales or Purchases:

1. The Company's product portfolio mainly comprises thermal modules, radiators, and heat sinks for notebooks (NB), desktops (DT), IT products, and consumer electronics. The Company sells products mainly to renowned PC brands both local and abroad. As the PC market becomes dominated by a few international manufacturers, the Company has managed to maintain Excellent collaboration relationships with customers through its strong R&D capabilities, globalized sales channels, exceptional quality, and advanced production technology. Furthermore, the Company continues to invest budget and talent into developing heat transfer solutions in order to win new customers of different IT, network, and consumer electronic products in order to avoid the risk of excessive concentration of customers.
2. Materials used in thermal modules and radiators mainly include: heat pipes, aluminum die casted components, aluminum stamped components, thermal pads, heat sinks, and fans. No supplier of the above materials is irreplaceable or holds exclusivity over the supply. Supply of the above materials is considered adequate, furthermore, the Company has always adopted a diversified purchasing strategy that maintains at least two suppliers for each type of raw material; therefore, there is no risk of concentrated purchases.

(XI) Impacts, Risks, and Response Measures Following a Major Transfer of Shareholding by Directors, Supervisors, or Shareholders with More Than 10% shareholding:

Refer to p.87-p.89 for details on major transfer of shareholding by Directors, Supervisors, or shareholders with more than 10% shareholding. The Company has not encountered any

impact or additional risk as a result.

(XII) Impacts, Risks, and Response Measures Associated with a Change of Management:

The total re-election of Directors on January 29, 2019 did not affect the Company's business model or business activities in any way, and the Company did not encounter any impact or additional risk as a result.

(XIII) Litigation and Non-contentious Cases:

Litigious or non-litigious matter, contentious administrative procedure involving the Company's Directors, Supervisors, General Manager, Real Person-in-charge, any shareholder with more than 10% shareholding, or any subordinate company in the recent year and up to the publication date of the Annual Report, whether any litigious or non-litigious matter, contentious administrative procedure, which may have significant impact on shareholders' interests or securities prices; disclose the nature of dispute, the amount involved, the litigation starting date, the parties involved and current progress: None.

Occurrence of events listed in Article 157 of the Securities and Exchange Act that involves the Company's Director, Supervisor, Managerial Officer, or Shareholder with more than 10% shareholding, and the current progress: None.

(XIV) Other Significant Risks and Response Measures:

Explanation of security risk assessment analysis:

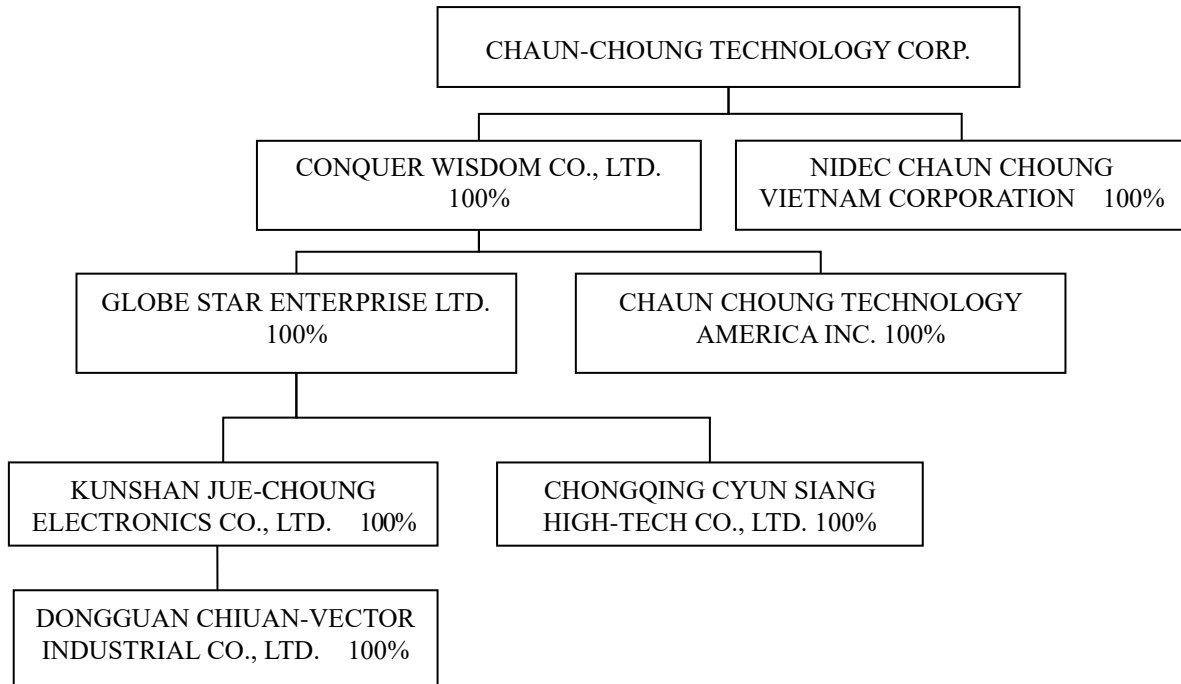
The Information Department is responsible for the Company's internal computer, system and network security. In order to prevent internal and external security threats from affecting the internal daily operations or becoming leverage to attack external units, the Company has built a complete firewall, mail and personal computer protection measures. In addition to conducting internal security advocacy occasionally, high availability backup and backup mechanisms have also been established at the system host and network levels to reduce the risk of disaster impact. Network management personnel also pay attention to external security information at any time and update the response in a timely manner. Regular audits are conducted by internal auditors and accounting firms. Over the years, there have been no major security incidents affecting the company's operations.

VII. Other Important Disclosures: None.

## Eight. Special Remarks

### I. Affiliated Enterprises related information

#### (I) Affiliated Enterprises Chart:



#### (II) Profile of Affiliated Enterprises:

Currency unit: NT thousands

Name of Affiliated Enterprise	Date of incorporation	Location	Paid-in Capital	Main Business Activities
Conquer Wisdom Co, Ltd.	August 14, 2000	British Virgin Islands	737,240	Investment
Chaun Choung Technology America Inc.	November 1, 2003	USA	8,994	Sale of PC thermal modules
Globe Star Enterprise Limited	April 2, 2008	Hong Kong	540,899	Investment
Kunshan Jue-Choung Electronics Co., Ltd.	February 28, 2001	China	689,540	Production and sale of PC thermal modules
Dongguan Chiuan-Vector Industrial Co., Ltd.	September 8, 2010	China	16,359	Research, development, and sale of heat dissipation parts
Chongqing Cyun Siang High-Tech Co., Ltd.	June 8, 2011	China	239,840	Production and sale of PC heat dissipation modules.
NIDEC CHAUN CHOUNG VIETNAM CORPORATION (Note 1)	March 31, 2020	Vietnam	302,250	Production and sale of components for heat dissipation

Note 1: Nidec Chaun Choung Vietnam Corporation (NCCV) has completed the enterprise registration on March 31, 2020, the Company will remit the initiated Charter capital within the prescribed period.

(III) Common Shareholders between the concluded Controlling and Subordinate Company:  
None.

(IV) Business Activities of Affiliated Enterprises and Work Division:

1. Conquer Wisdom Co.,Ltd.

Main business operation: Investment and intermediate trade in China.

2. Chaun Choung Technology America Inc.

A subsidiary indirectly held by the Company through a third location for improved service, gathering of customer/industry information, and customer development. Sale of PC thermal modules and other heat dissipation components.

3. GLOBE STAR ENTERPRISE LIMITED

Main business operation: Investment in China

4. Kunshan Jue-Choung Electronics Co., Ltd.

A Chinese subsidiary held indirectly by the Company through Conquer Wisdom Co., Ltd. and GLOBE STAR ENTERPRISE LIMITED. Production of PC thermal modules and other heat dissipation components

5. Dongguan Chiuan-Vector Industrial Co., Ltd.

A 100% held subsidiary of Kunshan Jue-Choung Electronics Co., Ltd.; main business activities are the research, development, and sale of heat dissipation components.

6. Chongqing Cyun Siang High-Tech Co., Ltd.

A Chinese subsidiary held indirectly by the Company through Conquer Wisdom Co., Ltd. and GLOBE STAR ENTERPRISE LIMITED. Production of PC thermal modules and other heat components

7. NIDEC CHAUN CHOUNG VIETNAM CORPORATION

It is a newly established subsidiary due to the Company's need to engage in major investment in Hoa Lac Hi-Tech Park (HHTP), Vietnam.

(V) Directors, Supervisors, and General Manager of Affiliated Enterprises:

Unit: NT thousands

The Name of the Enterprise	Title	Name or Representative	Shareholding	
			Shares Held	Shareholding Percentage
Conquer Wisdom Co.,Ltd.	Chairman	Shih-Ling Wu	-	-
Chaun Choung Technology America Inc.	Chairman	Shih-Ling Wu	-	-
	Vice Chairman	Chien-Hung Wu	-	-
	Director	Chen-Hsing Chen	-	-
	Secretary	Todd Ewing	-	-
GLOBE STAR ENTERPRISE LIMITED	Chairman	Chien-Hung Wu	-	-
Kunshan Jue-Choung Electronics Co., Ltd. (Note 1)	Chairman	Junichi Nagai	-	-
	Director & General Manager	Ta-Chi Kuo	-	-
	Director	Kazuhito Kaise	-	-
	Supervisor	Hsiang-Chien Wang	-	-

The Name of the Enterprise	Title	Name or Representative	Shareholding	
			Shares Held	Shareholding Percentage
Dongguan Chiuan-Vector Industrial Co., Ltd.	Chairman	Junichi Nagai (Note 2)	-	-
	Supervisor	Hsiang-Chien Wang	-	-
Chongqing Cyun Siang High-Tech Co., Ltd. (Note 1)	Chairman	Junichi Nagai	-	-
	Director	Tzong-Tu Huang	-	-
	Director	Kazuhito Kaise	-	-
	Supervisor	Hsiang-Chien Wang	-	-
	General Manager	Kimura Yuji	-	-
NIDEC CHAUN CHOUNG VIETNAM CORPORATION	Chairman	Junichi Nagai	-	-
	Director	Shih-Ling Wu	-	-
	Director	Kazuhito Kaise	-	-
	Supervisor	Hsiang-Chien Wang	-	-

Note 1: No shares were issued.

Note 2: The change registration of the person-in-charge is still being processed due to the impact of the COVID 19.

#### (VI) Performance of Affiliated Enterprises

Currency unit: NT thousands

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Current Profit/Loss (After-tax)	After-tax Earnings per Share (NT\$)
Conquer Wisdom Co, Ltd	737,240	3,238,331	-	3,238,331	-	(368)	404,528	22.36
Chaun Choung Technology America Inc.	8,994	37,349	27,983	9,366	82,353	20	(192)	(0.64)
Globe Star Enterprise Limited	540,899	3,171,569	-	3,171,569	-	(36)	404,795	2.60
Kunshan Jue-Choung Electronics Co., Ltd.	689,540	3,846,371	1,301,409	2,544,962	3,888,058	288,967	220,610	Note
Dongguan Chiuan-Vector Industrial Co., Ltd.	16,359	9,273	387	8,886	756	(434)	(405)	Note
Chongqing Cyun Siang High-Tech Co., Ltd.	239,840	1,612,702	960,269	652,433	1,990,159	227,526	203,242	Note

Note: No shares were issued.

(VII) Refer to Appendix P.132~P.200 for the Consolidated Financial Statements of affiliated enterprises.

#### (VIII) Affiliation Report

Affiliation Report: According to Article 369-12 of the Company Act, the Company is not required to prepare an Affiliation Report because it is not a subordinate company of any public company.

- II. Private placement of securities in the last year and up to the publication date of the Annual Report: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the last year and up to the publication date of the Annual Report: None.
- IV. Other supplementary information: None.
- V. Occurrences significant to shareholders' equity or securities price in the last year and up to the publication date of the Annual Report: None.

# Appendices

[Appendix I]

**Chaun-Choung Technology Corp.**

**Supervisor's Review**

We, the supervisors of the Company, have the 2019 business report, consolidated financial statements and standalone financial statements, and statement of retained earnings reviewed without any nonconformity found; therefore, we hereby have the report prepared and issued for review in accordance with the provision of Article 219 of the Company Act.

Sincerely yours,

The 2020 Regular Shareholders' Meeting of Chaun-Choung Technology Corp.

Supervisor: Yi Cen Investment Co., Ltd.  
Representative: Chun-Yu Yen

Supervisor: Isao Takahashi

Date of Publication: March 30, 2020

**CHAUN-CHOUNG TECHNOLOGY CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

Address: No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan  
(R.O.C.)

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



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## Representation Letter

The entities that are required to be included in the combined financial statements of CHAUN-CHOUNG TECHNOLOGY CORP. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHAUN-CHOUNG TECHNOLOGY CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHAUN-CHOUNG TECHNOLOGY CORP.

Chairman: JUNICHI NAGAI

Date: March 25, 2020



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of CHAUN-CHOUNG TECHNOLOGY CORP.:

### Opinion

We have audited the consolidated financial statements of CHAUN-CHOUNG TECHNOLOGY CORP. and its subsidiaries ("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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

## 1. Revenue recognition

Please refer to note 4(o) “Revenue recognition” for accounting policy related to revenue recognition, and note 6(m) “Revenue from contracts with customers” for disclosure information about revenue recognition of the consolidated financial statements.

### **Description of key audit matter:**

The main revenue of the Group comes from the researching, development, production, and sale of thermal components in the computer and related industries. Since products are highly customized, the revenue recognition is concerned by the users or receiver of the financial statements, the test for revenue recognition is a highly concerned matter when we comply the audit procedure for the financial statements of the Group.

### **How the matter was addressed in our audit:**

Our principal audit procedures included obtaining the list of top-ten customers and newly-added customers for the current year to analyze whether there is an unusual situation or not, inspecting of significant new contracts and understanding terms and conditions to assess whether there are any significant abnormalities, assessing the appropriateness of accounting policies for revenue recognition (including sales returns and discounts), testing the effectiveness of the design and the implementation of internal controls of sales and performing the sales cut-off test on the period before and after the balance sheet date, to ensure sales are recognized in the appropriate accounting period.

## 2. The Valuation of Inventory

Please refer to note 4(h) “Inventories” for accounting policy related to valuation of inventories, note 5(a) for significant accounting assumptions and judgments, and major sources of estimation uncertainty related to valuation of inventories and note 6(d) “Inventories” for disclosure information about valuation of inventories of the consolidated financial statements.

### **Description of key audit matter:**

The Group’s products are designed based on customer’s need and have the attribute of highly customized. The production strategy is mainly make-to-order (MTO) that relieves the problems of inventory obsolescence. However, the industrial characteristics of thermal components are few standard material, frequent design changes, rush orders, delay deliveries result from customer’s request, and failure to reach the sales forecast. These factors make the sales of products and the preparation of material difficult, which result in the risk of inventory obsolescence increase. Considering the assessment of inventory impairment loss varies by inventory turnover which depends on the subjective judgment of the management, the valuation of inventory is a highly concerned matter when we comply the audit procedure for the financial statements of the Group.

### **How the matter was addressed in our audit:**

Our principal audit procedures included obtaining the inventory aging report and analyze the variation in the corresponding period, assessing the appropriateness of inventory valuation policies and ensure the process of inventory valuation is in conformity with the accounting policies, comparing the past assessment of inventory impairment loss with the actual obsolescence losses to ensure the reasonableness of the inventory valuation, and assessing whether the disclosure of provision for inventory valuation is appropriate.

### **Other Matter**

CHAUN-CHOUNG TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

### **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 IFRSs, IASs, IFRC, 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 independent directors or supervisors) 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2020

#### Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHAUN-CHIOU TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (notes 6(a)(p))	1,470,714	20	1,455,534	21
1150 Notes receivable, net (notes 6(c)(m)(p))	5,006	-	41,045	1
1170 Accounts receivable, net (notes 6(c)(m)(p))	2,670,764	37	2,456,230	36
1180 Accounts receivable due from related parties, net (notes 6(c)(m)(p) and 7)	156,816	2	-	-
1200 Other receivables (note 6(p))	2,041	-	7,801	-
130X Inventories (note 6(d))	997,904	14	1,105,334	16
1410 Prepayments	30,557	-	23,209	-
1470 Other current assets (note 6(g))	63,432	1	164,289	2
<b>Total current assets</b>	<u>5,397,234</u>	<u>74</u>	<u>5,253,442</u>	<u>76</u>
<b>Non-current assets:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (notes 6(b)(p))	72,709	1	50,163	1
1600 Property, plant and equipment (notes 6(e) and 8)	1,498,159	21	1,329,492	19
1755 Right-of-use assets (note 6(g))	110,873	1	-	-
1760 Investment property, net (notes 6(f) and 8)	57,806	1	58,488	1
1780 Intangible assets	11,523	-	13,093	-
1840 Deferred tax assets (note 6(j))	115,428	2	89,844	1
1900 Other non-current assets (note 6(g))	3,243	-	104,964	2
<b>Total non-current assets</b>	<u>1,869,741</u>	<u>26</u>	<u>1,646,044</u>	<u>24</u>
<b>Total assets</b>	<u>\$ 7,266,975</u>	<u>100</u>	<u>\$ 6,899,486</u>	<u>100</u>
<b>Liabilities and equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (notes 6(b)(p))	-	-	100,000	1
Accounts payable (note 6(p))	1,990,907	28	1,870,949	27
Other payables (including related parties) (notes 6(p) and 7)	637,547	9	322,792	5
Current provisions	2,387	-	1,893	-
Current lease liabilities	8,712	-	-	-
Other current liabilities	98,330	1	370,879	5
<b>Total current liabilities</b>	<u>2,737,883</u>	<u>38</u>	<u>2,666,513</u>	<u>38</u>
<b>Non-current liabilities:</b>				
Deferred tax liabilities (note 6(j))	459,516	6	387,668	6
Non-current lease liabilities	7,463	-	-	-
Net defined benefit liability, non-current (note 6(i))	1,236	-	4,970	-
Guarantee deposits received	1,819	-	2,039	-
<b>Total non-current liabilities</b>	<u>470,034</u>	<u>6</u>	<u>394,677</u>	<u>6</u>
<b>Total liabilities</b>	<u>3,207,917</u>	<u>44</u>	<u>3,061,190</u>	<u>44</u>
<b>Equity attributable to owners of parent (note 6(k)):</b>				
Ordinary shares	863,434	12	863,434	13
Capital surplus	531,823	7	531,823	8
Retained earnings:				
Legal reserve	676,028	9	616,467	9
Special reserve	185,482	3	130,906	2
Unappropriated retained earnings (note 6(f))	2,024,660	28	1,881,148	27
Total retained earnings	2,886,170	40	2,628,521	38
Other equity	(222,369)	(3)	(185,482)	(3)
<b>Total equity</b>	<u>4,059,058</u>	<u>56</u>	<u>3,838,296</u>	<u>56</u>
<b>Total liabilities and equity</b>	<u>\$ 7,266,975</u>	<u>100</u>	<u>\$ 6,899,486</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenues (notes 6(m) and 7)	8,586,172	100	7,662,175	100
5000 Operating costs (notes 6(d)(e)(i)(n))	<u>6,727,977</u>	<u>78</u>	<u>6,110,286</u>	<u>80</u>
Gross profit from operations	<u>1,858,195</u>	<u>22</u>	<u>1,551,889</u>	<u>20</u>
<b>Operating expenses (notes 6(e)(i)(n) and 7):</b>				
6100 Selling expenses	230,177	3	198,482	3
6200 Administrative expenses	310,512	4	236,511	3
6300 Research and development expenses	<u>343,725</u>	<u>4</u>	<u>290,193</u>	<u>3</u>
6300 Total operating expenses	<u>884,414</u>	<u>11</u>	<u>725,186</u>	<u>9</u>
Net operating income	<u>973,781</u>	<u>11</u>	<u>826,703</u>	<u>11</u>
<b>Non-operating income and expenses:</b>				
7010 Other income (note 6(o))	51,699	1	42,357	-
7020 Other gains and losses, net (notes 6(f)(o))	(56,238)	(1)	63,979	1
7050 Finance costs (note 6(o))	(900)	-	(1,506)	-
7880 Impairment loss determined in accordance with IFRS 9 (note 6(c))	<u>(485)</u>	<u>-</u>	<u>(485)</u>	<u>-</u>
Total non-operating income and expenses	<u>(5,924)</u>	<u>-</u>	<u>104,345</u>	<u>1</u>
7900 Income before income tax	967,857	11	931,048	12
7951 Less: Income tax expenses (note 6(j))	<u>266,323</u>	<u>3</u>	<u>335,438</u>	<u>4</u>
Profit	<u>701,534</u>	<u>8</u>	<u>595,610</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss:				
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	22,546	-	14,737	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may not be reclassified subsequently to profit or loss	<u>22,546</u>	<u>-</u>	<u>14,737</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation	(124,916)	(1)	(57,926)	(1)
8391 Other components of other comprehensive income that will be reclassified to profit or loss	3,036	-	(3,928)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(24,376)</u>	<u>-</u>	<u>(16,776)</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(97,504)</u>	<u>(1)</u>	<u>(45,078)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(74,958)</u>	<u>(1)</u>	<u>(30,341)</u>	<u>(1)</u>
Total comprehensive income	<u>\$ 626,576</u>	<u>7</u>	<u>\$ 565,269</u>	<u>7</u>
Basic earnings per share (note 6(l))				
Basic earnings per share (expressed in New Taiwan Dollars)	<u>\$ 8.12</u>			<u>6.90</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHAUN-CHONG TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings				Other equity		Total	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		
<b>Balance on January 1, 2018</b>	863,434	531,823	566,441	97,528	1,670,335	(130,906)	(130,906)	3,598,655
Effects of retrospective application	-	-	-	-	40,500	-	(25,072)	15,428
Balance on January 1, 2018 after adjustments	863,434	531,823	566,441	97,528	1,710,835	(130,906)	(155,978)	3,614,083
Profit for the year ended December 31, 2018	-	-	-	-	595,610	-	-	595,610
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(837)	(44,241)	14,737	(30,341)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	594,773	(44,241)	14,737	565,269
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	50,026	-	(50,026)	-	-	-
Special reserve	-	-	-	33,378	(33,378)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(341,056)	-	-	(341,056)
<b>Balance on December 31, 2018</b>	863,434	531,823	616,467	130,906	1,881,148	(175,147)	(185,482)	3,838,296
Profit for the year ended December 31, 2019	-	-	-	-	701,534	-	-	701,534
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	2,429	(99,933)	22,546	(74,958)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	703,963	(99,933)	22,546	626,576
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	59,561	-	(59,561)	-	-	-
Special reserve	-	-	-	54,576	(54,576)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(405,814)	-	-	(405,814)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(40,500)	-	40,500	-
<b>Balance on December 31, 2019</b>	863,434	531,823	676,028	185,482	2,024,660	(275,080)	(222,369)	4,059,058

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHAUN-CHONG TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 967,857	931,048
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	159,537	136,522
Amortization expense	4,236	5,766
Expected credit loss	485	485
Interest expense	900	1,506
Interest revenue	(12,597)	(14,258)
Dividend income	(927)	(1,091)
Loss on disposal of property, plant and equipment	76,537	4,664
Property, plant and equipment transferred to expenses	420	2,100
Unrealized foreign exchange loss	4,555	429
<b>Total adjustments to reconcile profit</b>	<u>233,146</u>	<u>136,123</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	36,039	(39,953)
Increase in accounts receivable	(215,003)	(366,530)
Increase in accounts receivable due from related parties	(156,816)	-
Decrease in other receivables	5,216	626
Decrease (increase) in inventories	110,106	(239,391)
Increase in prepayments	(9,728)	(5,399)
Decrease (increase) in other current assets	100,857	(124,170)
<b>Changes in operating liabilities:</b>		
Increase in accounts payable	119,958	121,402
Increase (decrease) in other payables (including related parties)	328,516	(27,949)
Increase (decrease) in provisions	494	(1,271)
(Decrease) increase in other current liabilities	(272,549)	183,044
Decrease in net defined benefit liability	(699)	(6,207)
<b>Total changes in operating assets and liabilities</b>	<u>46,391</u>	<u>(505,798)</u>
<b>Total adjustments</b>	<u>279,537</u>	<u>(369,675)</u>
Cash inflow generated from operations	1,247,394	561,373
Interest received	12,978	14,263
Interest paid	(918)	(1,585)
Income taxes paid	(209,457)	(239,494)
<b>Net cash flows from operating activities</b>	<u>1,049,997</u>	<u>334,557</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(425,674)	(130,726)
Proceeds from disposal of property, plant and equipment	2,425	3,281
Decrease in refundable deposits	3,182	150
Acquisition of intangible assets	(2,871)	(7,258)
Dividends received	1,091	455
<b>Net cash flows used in investing activities</b>	<u>(421,847)</u>	<u>(134,098)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(100,000)	(210,000)
(Decrease) increase in guarantee deposits received	(220)	635
Payments of lease liabilities	(7,358)	-
Cash dividends paid	(405,814)	(341,056)
<b>Net cash flows used in financing activities</b>	<u>(513,392)</u>	<u>(550,421)</u>
Effect of exchange rate changes on cash and cash equivalents	(99,578)	(48,558)
Net increase (decrease) in cash and cash equivalents	15,180	(398,520)
Cash and cash equivalents at beginning of period	1,455,534	1,854,054
Cash and cash equivalents at end of period	<u>\$ 1,470,714</u>	<u>1,455,534</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Chaun-Choung Technology Corporation (the "Company") was incorporated in December 14, 1973 as a company limited by shares under the approval of Ministry of Economic Affairs. The registration location is No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.). The main operating activities of the Company and its subsidiaries (the "Group") are manufacturing and merchandising vapor chamber, heat pipe and thermal module. For more detailed information, please refer to note 14.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2020.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group applied IFRS 16 using the modified retrospective approach.

The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$111,865 thousand of right-of-use assets and \$10,946 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.47%.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

(i) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2019	December 31, 2018
The Company	Conquer Wisdom Co., Ltd. (the "Conquer")	General investing	100 %	100 %
Conquer	Chaun Choung Technology America Inc. (the "CCI-USA")	Sale of thermal module for computer	100 %	100 %
Conquer	GLOBE STAR ENTERPRISE Ltd. (the "GSE")	General investing	100 %	100 %
GSE	Kunshan Juzhong Electronic Co., Ltd. (the "JCI")	Production of thermal module for computer	100 %	100 %
GSE	Chongqing Qunxiang Technology Co., Ltd. (the "CSF")	Production of thermal module for computer	100 %	100 %
JCI	Dongguan Quanwei Electronic Co., Ltd. (the "CVI")	Research, development and Sale of thermal components	100 %	100 %

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)



**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. Excluding foreign operations in hyperinflationary economies, the income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

#### 3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

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## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount, and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

##### 2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

#### 3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

#### 4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

#### 5) Offsetting of financial assets and liabilities

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

#### (iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, and presented in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of the derivative financial instruments is positive, it is classified as financial assets, whereas when the fair value is negative, it is classified as a financial liability.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

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

(ii) Subsequent expenditure

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- |                     |            |
|---------------------|------------|
| 1) buildings        | 3~50 years |
| 2) vehicles         | 4~10 years |
| 3) machinery        | 1~10 years |
| 4) office equipment | 3~10 years |
| 5) other equipment  | 2~10 years |

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

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

(Continued)



## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

#### (iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

The Group should assess an arrangement that are not lease by law at the commencement date. If the fulfillment of arrangement depends on specific assets' use and transfer the right-of-use, it is lease or includes a lease. At the commencement date or reassessment date, the Group classify the lease as a finance lease or an operating lease by the policy mention above.

(l) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software cost 3~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At each reporting date, the Group reviews the accumulated impairment of its non-financial assets to determine whether there is any indication of reversal of impairment. If any such indication that the asset's recoverable amount is changed exists, the impairment loss will be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods—vapor chamber, heat pipe and thermal module

The Group manufactures and sells vapor chamber, heat pipe and thermal module. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of vapor chamber, heat pipe and thermal module are made with a credit term of 100 days, which is consistent with the market practice.

The Group reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty vapor chamber, heat pipe and thermal module under the standard warranty terms is recognized as a provision for warranty.

2) Financing components

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

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

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

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

(q) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

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

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

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

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

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

(a) The valuation of inventory

Inventories are stated at the lower of cost or net realizable value. The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on the assumptions of future demand within a specific time horizon. For the estimation of the valuation of inventory, please refer to note 6(d).

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 739	491
Demand deposits	1,437,579	1,201,710
Check deposit	3,036	4,199
Time deposits	<u>29,360</u>	<u>249,134</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,470,714</u>	<u>1,455,534</u>

Please refer to note 6(p) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2019 and 2018, the cash and cash equivalents of the Group had not been pledged as collateral for borrowings or lawsuit.

(b) Financial assets at fair value through other comprehensive income

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Equity investments at fair value through other comprehensive income:		
Domestic unlisted common shares-Everflow Technology Corporation	<u>\$ 72,709</u>	<u>50,163</u>

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$927 thousand and \$1,091 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

The Group derecognized the equity investments at fair value through other comprehensive income because the investee company, "Asia Carbon Corporation," dissolved at September 12, 2019. The accumulated valuation loss of \$40,500 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2018.

(ii) For market risk, please refer to note 6(p).

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As of December 31, 2019 and 2018, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

(c) Notes and trade receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable from operating activities	\$ 3,974	40,478
Notes receivable from non-operating activities	<u>1,032</u>	<u>567</u>
Notes receivables	<u>\$ 5,006</u>	<u>41,045</u>
Trade receivables (including related parties)	\$ 2,828,670	2,461,244
Less: Loss allowance	<u>(1,090)</u>	<u>(5,014)</u>
Net trade receivables	<u>\$ 2,827,580</u>	<u>2,456,230</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions in Taiwan were determined as follows:

	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,728,190	0.00029%	6
1 to 30 days past due	32,743	0.03054%	10
31 to 120 days past due	3,035	0.13180%	4
121 to 180 days past due	5,505	0.27248%	15
More than 180 days past due	<u>624</u>	100%	<u>624</u>
	<u>\$ 1,770,097</u>		<u>659</u>

	<u>December 31, 2018</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,681,610	0.00113%	19
1 to 30 days past due	22,123	0.03026%	7
31 to 120 days past due	4,720	0.14831%	7
121 to 180 days past due	-	0.27732%	-
More than 180 days past due	<u>589</u>	100%	<u>589</u>
	<u>\$ 1,709,042</u>		<u>622</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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The loss allowance provisions of the oversea entities of the Group were determined as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,018,183	-	-
1 to 30 days past due	33,511	-	-
31 to 120 days past due	11,454	-	-
121 to 180 days past due	-	-	-
More than 180 days past due	431	100%	431
	<b>\$ 1,063,579</b>		<b>431</b>

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 788,855	-	-
1 to 30 days past due	-	-	-
31 to 120 days past due	-	-	-
121 to 180 days past due	-	-	-
More than 180 days past due	4,392	100%	4,392
	<b>\$ 793,247</b>		<b>4,392</b>

The movement in the allowance for notes and trade receivables were as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 5,014	4,621
Impairment losses recognized	485	485
Amounts written off	(4,393)	-
Foreign exchange gains/(losses)	(16)	(92)
Balance at December 31	<b>\$ 1,090</b>	<b>5,014</b>

As of December 31, 2019 and 2018, the aforementioned notes and trade receivables of the Group had not been pledged as collateral.

For further credit risk information, please refer to note 6(p).

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (d) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Raw materials	\$ 158,752	167,058
Work in progress	242,755	232,416
Finished goods	509,957	538,521
Merchandise inventory	<u>86,440</u>	<u>167,339</u>
	<u>\$ 997,904</u>	<u>1,105,334</u>

For the years ended December 31, 2019 and 2018, the loss of inventories recognized in operating costs amounted to \$67,139 thousand and \$131,038 thousand, respectively. The details of the loss of inventories were as follows:

	<u>2019</u>	<u>2018</u>
Unallocated production overheads	\$ 450	6,650
(Reversal of write-downs) Write-down of inventories	(10,294)	43,632
Income from sale of scrap and wastes	(39,898)	(8,008)
Loss from scrap	116,907	88,757
Inventory overage and shortage	<u>(26)</u>	<u>7</u>
Increase in cost of sales	<u>\$ 67,139</u>	<u>131,038</u>

For the years ended December 31, 2019 and 2018, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales amounted to \$6,660,838 thousand and \$5,979,248 thousand, respectively.

As of December 31, 2019 and 2018, the Group did not provide any inventories as collateral for its loans

## (e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:								
Balance on January 1, 2019	\$ 210,127	867,702	568,738	9,430	153,766	149,981	19,267	1,979,011
Additions	-	71,894	153,179	-	5,813	36,795	157,993	425,674
Disposal	-	(12,203)	(121,708)	-	(33,066)	(11,158)	(2,095)	(180,230)
Reclassification	-	-	8,893	-	20	3,390	(12,641)	(338)
Effect of movements in exchange rates	-	(29,403)	(11,807)	(316)	(4,498)	(2,193)	63	(48,154)
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>897,990</u>	<u>597,295</u>	<u>9,114</u>	<u>122,035</u>	<u>176,815</u>	<u>162,587</u>	<u>2,175,963</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2018	\$ 210,127	864,338	535,069	10,360	154,789	120,611	20,089	1,915,383
Additions	-	19,833	62,264	1,227	2,411	29,698	15,293	130,726
Disposal	-	(82)	(33,840)	(2,143)	(686)	(3,109)	(631)	(40,491)
Reclassification	-	-	9,313	138	395	3,601	(15,437)	(1,990)
Effect of movements in exchange rates	-	(16,387)	(4,068)	(152)	(3,143)	(820)	(47)	(24,617)
Balance on December 31, 2018	<u>\$ 210,127</u>	<u>867,702</u>	<u>568,738</u>	<u>9,430</u>	<u>153,766</u>	<u>149,981</u>	<u>19,267</u>	<u>1,979,011</u>
<b>Depreciation:</b>								
Balance on January 1, 2019	\$ -	299,333	241,736	4,611	32,427	71,412	-	649,519
Depreciation	-	47,307	58,368	1,423	12,424	29,403	-	148,925
Disposal	-	(5,117)	(68,821)	-	(17,247)	(10,083)	-	(101,268)
Reclassification	-	-	25	-	(17)	74	-	82
Effect of movements in exchange rates	-	(11,124)	(5,804)	(206)	(1,023)	(1,297)	-	(19,454)
Balance on December 31, 2019	<u>\$ -</u>	<u>330,399</u>	<u>225,504</u>	<u>5,828</u>	<u>26,564</u>	<u>89,509</u>	<u>-</u>	<u>677,804</u>
Balance on January 1, 2018	\$ -	260,539	213,713	5,238	19,021	54,853	-	553,364
Depreciation	-	44,339	53,768	1,391	14,430	21,912	-	135,840
Disposal	-	(82)	(25,244)	(1,929)	(372)	(4,919)	-	(32,546)
Reclassification	-	-	-	-	-	110	-	110
Effect of movements in exchange rates	-	(5,463)	(501)	(89)	(652)	(544)	-	(7,249)
Balance on December 31, 2018	<u>\$ -</u>	<u>299,333</u>	<u>241,736</u>	<u>4,611</u>	<u>32,427</u>	<u>71,412</u>	<u>-</u>	<u>649,519</u>
<b>Carrying amounts:</b>								
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>567,591</u>	<u>371,791</u>	<u>3,286</u>	<u>95,471</u>	<u>87,306</u>	<u>162,587</u>	<u>1,498,159</u>
Balance on December 31, 2018	<u>\$ 210,127</u>	<u>568,369</u>	<u>327,002</u>	<u>4,819</u>	<u>121,339</u>	<u>78,569</u>	<u>19,267</u>	<u>1,329,492</u>

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral for borrowings, please refer to note 8.

(f) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2019	\$ 36,370	34,776	71,146
Balance at December 31, 2019	<u>\$ 36,370</u>	<u>34,776</u>	<u>71,146</u>
Balance at January 1, 2018	\$ 36,370	34,776	71,146
Balance at December 31, 2018	<u>\$ 36,370</u>	<u>34,776</u>	<u>71,146</u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2019	\$ -	12,658	12,658
Depreciation for the year	-	682	682
Balance at December 31, 2019	<u>\$ -</u>	<u>13,340</u>	<u>13,340</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2018	\$ -	11,976	11,976
Depreciation for the year	-	682	682
Balance at December 31, 2018	<u>\$ -</u>	<u>12,658</u>	<u>12,658</u>
<b>Carrying amount:</b>			
Balance at December 31, 2019	<u>\$ 36,370</u>	<u>21,436</u>	<u>57,806</u>
Balance at December 31, 2018	<u>\$ 36,370</u>	<u>22,118</u>	<u>58,488</u>
<b>Fair value:</b>			
Balance at December 31, 2019			<u>\$ 141,396</u>
Balance at December 31, 2018			<u>\$ 149,257</u>

The fair value of investment property is in reference to the appraisal report, done by independent professionals or publicly available average price of recent transactions.

As of December 31, 2019 and 2018, the investment property of the Group had been pledged as collateral for borrowings, please refer to note 8.

- (g) Long-term prepaid rents-land use right (listed in other non-current assets)

	<u>December 31, 2018</u>
Long term prepaid rents	\$ 103,020
Less: Amortization within a year (listed in other current assets)	(2,426)
Effect of movement in exchange rates	<u>(2,055)</u>
Total	<u>\$ 98,539</u>

The Group in contract with the Bureau of Land Resources of Mainland China to obtain the land use right for the plant for the period from 2003 to 2062, and the total amount of grant contract of land use right was \$107,870 thousand. This amount was reclassified as right-of-use asset on the initial application of IFRS 16 on January 1, 2019.

- (h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	<u>\$ -</u>	<u>100,000</u>
Unused credit lines	<u>\$ 1,213,880</u>	<u>2,248,606</u>
Range of interest rates	<u>-</u>	<u>0.92%</u>

For the collateral for short-term borrowings, please refer to note 8.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	\$ 53,314	58,085
Fair value of plan assets	<u>(52,078)</u>	<u>(53,115)</u>
Net defined benefit liabilities	<u>\$ 1,236</u>	<u>4,970</u>

The Group's employee benefit liabilities were as follows:

	December 31, 2019	December 31, 2018
Compensated absences liability	<u>\$ 7,787</u>	<u>9,605</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$52,078 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2019	2018
Defined benefit obligations at January 1	\$ 58,085	59,897
Current service costs and interest cost	1,846	1,860
Remeasurements loss (gain):		
– Return on plan assets (excluding interest income)	3,482	3,336
– Actuarial loss (gain) arising from financial assumptions	(4,832)	1,820
Benefits paid	<u>(5,267)</u>	<u>(8,828)</u>
Defined benefit obligations at December 31	<u>\$ 53,314</u>	<u>58,085</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 53,115	52,648
Interest income	739	867
Remeasurements loss (gain):		
— Return on plan assets (excluding interest income)	1,686	1,228
Contributions paid by the employer	1,805	1,809
Benefits paid	<u>(5,267)</u>	<u>(3,437)</u>
Fair value of plan assets at December 31	<u>\$ 52,078</u>	<u>53,115</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 1,050	889
Net interest of net liabilities for defined benefit obligations	<u>57</u>	<u>104</u>
	<u>\$ 1,107</u>	<u>993</u>
	<u>2019</u>	<u>2018</u>
Operating cost	\$ 57	184
Administration expenses	<u>1,050</u>	<u>809</u>
	<u>\$ 1,107</u>	<u>993</u>

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

The Group's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ (12,367)	(11,530)
Recognized during the period	<u>2,429</u>	<u>(837)</u>
Accumulated amount at December 31	<u>\$ (9,938)</u>	<u>(12,367)</u>

(Continued)



**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125 %	1.375 %
Future salary increase rate	1.000 %	2.000 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$1,790 thousand.

The weighted average lifetime of the defined benefits plans is 17.62 years.

7) Sensitivity analysis

When calculating the present value of defined benefit obligation, the Group must use judgment and estimates to determine the relevant actuarial assumptions at the balance sheet date, including discount rate, employee turnover rate, and future salary increase rate. Any change in actuarial assumptions could materially affect the amount of the Group's defined benefit obligation.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate (0.25% variation)	\$ 208	(1,974)
Future salary increasing rate (0.25% variation)	(2,001)	(5,412)
December 31, 2018		
Discount rate (0.25% variation)	(1,820)	1,906
Future salary increasing rate (0.25% variation)	1,862	(1,788)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(ii) Defined contribution plans

The Group allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The domestic companies of the Group which pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$10,106 thousand and \$9,035 thousand for the years ended December 31, 2019 and 2018, respectively.

The overseas subsidiaries of the Group which pension costs recognized in accordance with local government regulations amounted to \$33,575 thousand and \$30,139 thousand for the years ended December 31, 2019 and 2018, respectively.

(j) Income taxes

(i) Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 197,154	245,438
Deferred tax expense	<u>69,169</u>	<u>90,000</u>
Income tax expense	<u>\$ 266,323</u>	<u>335,438</u>

Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows.

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ <u>967,857</u>	<u>931,048</u>
Income tax using the Company's domestic tax rate	\$ 193,571	186,210
Effect of tax rates in foreign jurisdiction	26,142	24,585
Effect of tax on foreign investment income recognized under equity method	(8,867)	(7,989)
Non-deductible expenses	(7,097)	(3,820)
Tax incentives	(28,170)	(15,195)
Difference between estimate and assessment	3,989	4,000
(Over-estimation) under-estimation from prior periods	(5,660)	28,375
Undistributed earnings additional tax	5,766	7,312
Adjustment in tax rate	-	40,614
Others	<u>86,649</u>	<u>71,346</u>
Total	<u>\$ 266,323</u>	<u>335,438</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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## (ii) Deferred tax assets and liabilities

## 1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

## Deferred Tax Liabilities:

	Investment income recognized under equity method	Cumulative translation adjustments	Reserve revaluation increment tax	Others	Total
Balance at January 1, 2019	\$ 359,690	-	26,241	1,737	387,668
Recognized in profit or loss	71,708	-	-	140	71,848
Balance at December 31, 2019	<u>\$ 431,398</u>	<u>-</u>	<u>26,241</u>	<u>1,877</u>	<u>459,516</u>
Balance at January 1, 2018	\$ 250,398	-	26,241	1,340	277,979
Recognized in profit or loss	109,292	-	-	397	109,689
Balance at December 31, 2018	<u>\$ 359,690</u>	<u>-</u>	<u>26,241</u>	<u>1,737</u>	<u>387,668</u>

## Deferred Tax Assets:

	Allowance for inventory valuation and obsolescence losses	Unrealized gain from downstream transaction	Cumulative translation adjustments	Others	Total
Balance at January 1, 2019	\$ 20,946	18,302	25,579	25,017	89,844
Recognized in profit or loss	3,958	(6,478)	-	5,199	2,679
Recognized directly in equity	-	-	24,982	(606)	24,376
Foreign currency translation differences for foreign operations	(329)	-	-	(1,142)	(1,471)
Balance at December 31, 2019	<u>\$ 24,575</u>	<u>11,824</u>	<u>50,561</u>	<u>28,468</u>	<u>115,428</u>
Balance at January 1, 2018	\$ 14,176	13,657	11,894	14,197	53,924
Recognized in profit or loss	6,950	4,645	-	8,094	19,689
Recognized directly in equity	-	-	13,685	3,091	16,776
Foreign currency translation differences for foreign operations	(180)	-	-	(365)	(545)
Balance at December 31, 2018	<u>\$ 20,946</u>	<u>18,302</u>	<u>25,579</u>	<u>25,017</u>	<u>89,844</u>

## (iii) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the R.O.C. tax authority.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(k) Capital and other equity

(i) Ordinary shares

As of December 31, 2019 and 2018, the Company's government-registered total authorized capital both amounted to \$1,200,000 thousand, and total issued capital stock both amounted to \$863,434 thousand, divided into 86,343 thousand shares of stock with \$10 par value per share.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share capital	\$ 376,600	376,600
Conversion of bonds	<u>155,223</u>	<u>155,223</u>
	<u>\$ 531,823</u>	<u>531,823</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The distribution of retained earnings of the Company should not be less than 50% of the net income. In addition, the stock dividends shall not be more than 80% of total dividends and the cash dividends shall not be less than 20% of total dividends when distributing the dividends.

1) Legal reserve

According to the R.O.C. Company Act the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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2) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gain) which were previously recognized in shareholders’ equity were reclassified to retained earnings. According to regulations, retained earnings would be increased by \$84,833 thousand, by recognizing the fair value on the adoption date as deemed cost. In accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special reserve during earning distribution, and when the relevant assets were used, disposed of or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The balance of special reserve amounted to \$185,482 thousand and \$130,906 thousand as of December 31, 2019 and 2018, respectively.

In accordance with Ruling mentioned above, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 24, 2019 and June 19, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.70	<u>405,814</u>	3.95	<u>341,056</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(iv) Other equity accounts, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (175,147)	(10,335)	(185,482)
Exchange differences on translation of foreign financial statements, net of tax	(99,933)	-	(99,933)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	22,546	22,546
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	40,500	40,500
Balance on December 31, 2019	<u>\$ (275,080)</u>	<u>52,711</u>	<u>(222,369)</u>
Balance on January 1, 2018	\$ (130,906)	-	(130,906)
Effects of retrospective application	-	(25,072)	(25,072)
Balance at January 1, 2018 after adjustments	(130,906)	(25,072)	(155,978)
Exchange differences on translation of foreign financial statements, net of tax	(44,241)	-	(44,241)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	14,737	14,737
Balance on December 31, 2018	<u>\$ (175,147)</u>	<u>(10,335)</u>	<u>(185,482)</u>

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 and 2018, were based on the profit attributable to ordinary shareholders of the Company of \$701,534 thousand and \$595,610 thousand, respectively, and the weighted average number of ordinary shares outstanding of 86,343 thousand shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2019</u>	<u>2018</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 701,534</u>	<u>595,610</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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2) Weighted average number of ordinary shares

	<u>2019</u>	<u>2018</u>
Issued ordinary shares at January 1	<u>86,343</u>	<u>86,343</u>
Weighted average number of ordinary shares at December 31	<u>\$ 86,343</u>	<u>86,343</u>

Considering the employee profit sharing plan and the dividend payout experience in the most recent 2 year, the Company paid the cash bonus and the cash dividends. As the result, the basic earnings per share and the diluted earnings per share were the same for the years ended, 2019 and 2018.

(m) Revenue from contracts with customers

(i) Details of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Chinese mainland	\$ 4,743,478	4,675,494
Taiwan	1,400,672	773,575
Singapore	702,726	512,914
Malaysia	517,392	498,044
United States	442,220	375,599
Others	<u>779,684</u>	<u>826,549</u>
	<u>\$ 8,586,172</u>	<u>7,662,175</u>
Major products:		
Thermal module	\$ 6,338,744	5,755,678
Thermal products	1,504,308	1,432,844
Others	<u>743,120</u>	<u>473,653</u>
	<u>\$ 8,586,172</u>	<u>7,662,175</u>

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes receivables from operating activities	\$ 3,974	40,478	1,092
Trade receivables (including related parties)	2,828,670	2,461,244	2,106,725
Less: allowance for impairment	<u>(1,090)</u>	<u>(5,014)</u>	<u>(4,621)</u>
Total	<u>\$ 2,831,554</u>	<u>2,496,708</u>	<u>2,103,196</u>

For details on trade receivables and allowance for impairment, please refer to note 6(c).

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(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$46,000 thousand and \$42,000 thousand, and directors' and supervisors' remuneration amounting to \$5,000 thousand and \$13,600 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(o) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 12,597	14,258
Rent income	4,199	4,199
Dividend income	927	1,091
Other income, others	<u>33,976</u>	<u>22,809</u>
	<u>\$ 51,699</u>	<u>42,357</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2019</u>	<u>2018</u>
Depreciation of investment property	\$ (682)	(682)
Losses on disposals of property, plant and equipment	(76,537)	(4,664)
Foreign exchange gains	28,858	74,393
Others	<u>(7,877)</u>	<u>(5,068)</u>
	<u>\$ (56,238)</u>	<u>63,979</u>

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## (iii) Finance costs

The details of finance costs were as follows:

	<u>2019</u>	<u>2018</u>
Interest expense of loans	\$ 410	1,498
Amortization interest of lease liabilities	483	-
Other finance costs	<u>7</u>	<u>8</u>
	<u>\$ 900</u>	<u>1,506</u>

## (p) Financial instruments

## (i) Categories of financial instruments

## 1) Financial assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through other comprehensive income	\$ <u>72,709</u>	<u>50,163</u>
Financial assets at amortized cost (loans and receivables)		
Cash and cash equivalents	1,470,714	1,455,534
Notes and trade receivables (including related parties)	2,832,586	2,497,275
Other receivables	<u>2,041</u>	<u>7,801</u>
Subtotal	<u>4,305,341</u>	<u>3,960,610</u>
Total	<u>\$ 4,378,050</u>	<u>4,010,773</u>

## 2) Financial liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities at amortized cost		
Short-term borrowings	\$ -	100,000
Accounts payables	1,990,907	1,870,949
Other payables (including related parties)	637,547	322,792
Lease liabilities	<u>16,175</u>	<u>-</u>
Total	<u>\$ 2,644,629</u>	<u>2,293,741</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. December 31, 2019 and 2018, the Group's exposure to credit risk and the maximum exposure were mainly from notes and trade receivables and other receivables, the amount is \$2,834,627 thousand and \$2,505,076 thousand, respectively.

2) Concentration of credit risk

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting trade receivables. Besides, the Group monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2019 and 2018, 31% and 34%, respectively, of trade receivables were three major customers. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

For credit risk exposure of notes and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables.

All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). For the years ended December 31, 2019 and 2018, no allowance for impairment were provided because there was no indication of credit-impaired for other receivables.

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>超過5年</u>
December 31, 2019							
Non-derivative financial liabilities							
Accounts payable	\$ 1,990,907	(1,990,907)	(1,990,907)	-	-	-	-
Other payables (including related parties)	637,547	(637,547)	(637,547)	-	-	-	-
Lease liabilities	<u>16,175</u>	<u>(17,011)</u>	<u>(4,562)</u>	<u>(4,538)</u>	<u>(3,551)</u>	<u>(4,028)</u>	<u>(332)</u>
	<u>\$ 2,644,629</u>	<u>(2,645,465)</u>	<u>(2,633,016)</u>	<u>(4,538)</u>	<u>(3,551)</u>	<u>(4,028)</u>	<u>(332)</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>超過5年</u>
<b>December 31, 2018</b>							
Non-derivative financial liabilities							
Unsecured loans	\$ 100,000	(100,060)	(100,060)	-	-	-	-
Accounts payable	1,870,949	(1,870,949)	(1,870,949)	-	-	-	-
Other payables (including related parties)	<u>322,792</u>	<u>(322,792)</u>	<u>(322,792)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,293,741</u>	<u>(2,293,801)</u>	<u>(2,293,801)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 96,745	29.980	2,900,415	102,445	30.715	3,146,598
CNY	1,729	4.305	7,443	6,169	4.472	27,588
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	30,157	29.980	904,107	29,929	30.715	919,269
CNY	2,844	4.305	12,243	2,802	4.472	12,531

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD and CNY as of December 31, 2019 and 2018 would have increased the net income before tax by \$19,915 thousand and \$22,424 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019 and 2018.

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## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$28,858 thousand and \$74,393 thousand, respectively.

#### (v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the Group's net income would have decreased / increased by \$0 thousand and \$1,000 thousand, respectively, for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

#### (vi) Fair value of financial instruments

##### 1) Fair value hierarchy

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

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,470,714	-	-	-	-
Notes and trade receivable (including related parties)	2,832,586	-	-	-	-
Other receivables	2,041	-	-	-	-
Financial assets at fair value through other comprehensive income	<u>72,709</u>	<u>-</u>	<u>-</u>	<u>72,709</u>	<u>72,709</u>
Total	<u>\$ 4,378,050</u>	<u>-</u>	<u>-</u>	<u>72,709</u>	<u>72,709</u>

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	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Notes and trade payables	\$ 1,990,907	-	-	-	-
Other payables (including related parties)	637,547	-	-	-	-
Lease liabilities	16,175	-	-	-	-
<b>Total</b>	<b>\$ 2,644,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	December 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,455,534	-	-	-	-
Notes and trade receivable	2,497,275	-	-	-	-
Other receivables	7,801	-	-	-	-
Financial assets at fair value through other comprehensive income	50,163	-	-	50,163	50,163
<b>Total</b>	<b>\$ 4,010,773</b>	<b>-</b>	<b>-</b>	<b>50,163</b>	<b>50,163</b>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 100,000	-	-	-	-
Notes and trade payables	1,870,949	-	-	-	-
Other payables	322,792	-	-	-	-
<b>Total</b>	<b>\$ 2,293,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Fair value of the Group's financial instruments that have an active market is displayed by category and attribute as follows:

The listed callable bonds, listed stocks, bill of exchange and corporate bonds are financial assets and liabilities with standard transaction terms and conditions, and traded on active market. The fair value of such items is determined in reference to the quoted market price.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

Fair value of the Group's financial instruments that without an active market is displayed by category and attribute as follows:

Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

#### 3) Transfers between Level 1 and Level 2

There were no transfers between levels of fair value hierarchy for the years ended December 31, 2019 and 2018.

#### 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value is fair value through other comprehensive income – equity investments.

The equity investments without active market has multiple significant unobservable inputs. The significant unobservable inputs are independent of each other, and no interrelationship exists.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market comparable companies method	Discount rate for lack of market circulation (25% as of December 31, 2019 and 2018)	The higher the discount rate for lack of market circulation, the lower the fair value.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Group's risk management policies.

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customer.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Trade and other receivable

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Group; these limits are reviewed regularly. No collateral required for trade and other receivable. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Clients who transaction with the Group has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Group only on a prepayment basis.

The Group established an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivable and investments. Major components of this impairment allowance is specific loss component that is related to individually significant exposure and collective loss component where is the loss incurred but not identified. The collective loss component is based on historical payment experience of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

As of December 31, 2019 and 2018, the Group not provided financial guarantees to other third parties.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2019 and 2018, the Group's unused credit line were amounted to \$1,213,880 thousand and \$2,248,606 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Group doesn't apply hedge accounting.

2) Interest rate risk

The Group holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Group's assets and liabilities, please refer to note "liquidity risk management".

3) Other market price risk

The Group doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Group monitors funds by regularly review debt-to-equity ratio. As of December 31, 2019 and 2018, the Group's debt-to-equity ratio is as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Total liabilities	\$ 3,207,917	3,061,190
Less: cash and cash equivalents	<u>(1,470,714)</u>	<u>(1,455,534)</u>
Net debt	<u>\$ 1,737,203</u>	<u>1,605,656</u>
Total equity	<u>\$ 4,059,058</u>	<u>3,838,296</u>
Debt-to-equity ratio	<u>42.80 %</u>	<u>41.83 %</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

Nidec Corporation acquired 48% of the Company's ordinary shares through public tender offer during October 3, 2018 to November 21, 2018. Therefore, Nidec Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2019 and 2018, it owns 52.14% and 48% of all shares outstanding of the Company, respectively. Nidec Corporation has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Nidec Corporation	The parent company
Nidec Machinery Corporation	The Group's other related parties
Nidec Sankyo (H.K.) Co., LTD.	The Group's other related parties
Nidec Machinery (Zhejiang) Corporation	The Group's other related parties
Nidec Sankyo Taiwan Corporation	The Group's other related parties
Nidec (DongGuan) Limited	The Group's other related parties
Nidec (Dalian) Limited	The Group's other related parties
Nidec (Shenzhen) Co., LTD.	The Group's other related parties

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Nidec (Zhejiang) Corporation	The Group's other related parties
Nidec (Shanghai) International Trading Co., Ltd.	The Group's other related parties
Create Area Interior Design Co., Ltd.	The Group's other related parties

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties and the balance of accounts receivables were as follows:

	<u>Sales</u>		<u>Accounts receivables</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The parent company	\$ 2,324	-	2,956	-
Other related parties	\$ 142,188	-	153,860	-

The selling price for related parties approximated the market price. The accounts receivables arising from sales of related parties are collected two to four months after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Property transactions

The acquisition price of property, plant and equipment purchased from related parties and the balance of other payables are summarized as follows:

	<u>Acquisition price</u>		<u>Other payables</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties				
Create Area Interior Design Co., Ltd. \$	31,316	-	3,198	-
Other related parties	36,426	-	33,988	-
	\$ 67,742	-	37,186	-

(iii) Others

1) The amounts of advance payment by the Group to related parties and the balance of other receivables were as follows:

	<u>Disbursement</u>		<u>Other receivables</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The parent company	\$ 25	-	-	-

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) The amounts of advance payment by the Group from related parties and the balance of other payables were as follows:

	Disbursement		Other payables	
	2019	2018	December 31, 2019	December 31, 2018
The parent company	\$ 3,604	-	1,264	-
Other related parties	\$ 30	-	30	-

- 3) The amounts of related parties providing technical services to the Group and the balance of other payables were as follows:

	Technical service fee		Other payables	
	2019	2018	December 31, 2019	December 31, 2018
The parent company	\$ 1,987	-	259	-
Other related parties	\$ 2,435	-	263	-

- 4) The amounts of purchase of sample by the Group from related parties and the balance of other payables were as follows:

	Sample fee		Other payables	
	2019	2018	December 31, 2019	December 31, 2018
Other related parties	\$ 99	-	96	-

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 54,089	36,872
Post-employment benefits	658	1,128
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	\$ 54,747	38,000

- (8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Property, plant and equipment-land	Bank loans	\$ 78,218	78,278
Property, plant and equipment-buildings	Bank loans	43,312	19,087
Investment property-land	Bank loans	36,370	36,370
Investment property-buildings	Bank loans	21,436	22,118
		\$ 179,336	155,853

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(9) **Significant commitments and contingencies: None**

(10) **Losses due to major disasters: None**

(11) **Subsequent events:**

- (a) On January 14, 2020, the Board of Directors approved the establishment of Nidec Chaun Choung Vietnam Corporation ("NCCV"), a subsidiary in Vietnam, as a investment in Vietnam. The government-registered total authorized capital was USD10,000 thousand. In accordance with the law in Vietnam, the Group will contribute the full amount (USD10,000 thousand in cash) within 90 days from the NCCV obtains the Business Registration Certificate. On March 25, 2020, the Board of Directors approved the signing of a land lease between NCCV and FTP Hoa Lac Hi-tech Park Development Company for the future construction of the plant in Vietnam, as well as the design and construction of the Vietnam plant will outsourcing to Sumitomo Mitsui Construction Co., Ltd., and the engineering contract amount not exceeding JPY1,383 million (equivalent to approximately NTD405 million). The Group will sign engineering contract with Sumitomo Mitsui Construction Co., Ltd.
- (b) The Group's subsidiaries, Kunshan Juzhong Electronic Co., Ltd. and Chongqing Qunxiang Technology Co., Ltd, are experiencing uncertainty in the operating environment in the Chinese mainland due to the COVID-19 outbreak in the beginning of 2020, which has affected the operations of the subsidiaries in the Chinese mainland, including delays in production, delivery and collection. The Chinese mainland subsidiaries have adjusted production schedules and re-planned shipment plans after the resumption of production. As the information on the impact of customers and related supply chains is still uncertain, it is not yet possible to reasonably expect the amount of impact on operating and financial condition. The Group will continue to monitor developments to assess in real time.

(12) **Other:**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		530,968	311,799	842,767	497,529	267,798	765,327
Labor and health insurance		37,804	21,399	59,203	32,597	18,173	50,770
Pension		30,757	14,031	44,788	27,666	12,501	40,167
Remuneration of directors		-	4,078	4,078	-	10,661	10,661
Others		22,088	15,158	37,246	46,408	12,766	59,174
Depreciation		112,855	46,000	158,855	102,501	33,339	135,840
Amortization		122	4,114	4,236	135	5,631	5,766

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures:****(a) Information on significant transactions:**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

**(i) Loans to other parties:**

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Notes
													Item	Value			
1	Kunshan Juzhong Electronic Co., Ltd	Chongqing Qunxiang Technology Co., Ltd.	Other receivables from related parties	Yes	602,700 (RMB140,000)	301,350 (RMB70,000)	258,300 (RMB60,000)	4.35%	2	-	Operating capital	-	Note	-	2,544,965 (RMB591,165)	2,544,965 (RMB591,165)	Note 5

Note 1: Those with business contact please fill in 1

Those necessary for short-term financing please fill in 2

Note 2: The total amount allowed for financing should not exceed 40% of the Company's net equity. The maximum amount of loans to individual entity should not exceed 10% of the Company's net equity. The maximum amount of loans to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the borrower's net equity on its latest financial statements.

Note 3: The total amount allowed for financing of Kunshan Juzhong Electronic Co., Ltd should not exceed 40% of its net equity on its current financial statements.

Note 4: Within JCI's maximum financing allowed, it should not exceed the 10% of JCI's net worth individually. If the counterpart is the Company owns 100% of its outstanding common shares directly or indirectly, the total financing amount to any individuals should not exceed the most recent net worth of JCI.

Note 5: The transactions are eliminated when preparing the consolidated financial statements.

Note 6: The exchange rate of NTD to CNY as of December 31, 2019 is NTD4.305 : CNY1.

**(ii) Guarantees and endorsements for other parties: None****(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):**

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Everflow Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	1,854	72,709	11.21%	72,709	11.21 %

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase(Sale)	Amount	Percentage of total purchases(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chongqing Qunxiang Technology Co., Ltd.	Parent-subsiary	Purchase	930,842	17.51%	O/A 120 days	-	-	(340,077)	(15.45)%	Note
The Company	Kunshan Juzhong Electronic Co., Ltd.	Parent-subsiary	Purchase	2,474,864	46.55%	O/A 120 days	-	-	(1,049,345)	(47.67)%	Note
Kunshan Juzhong Electronic Co., Ltd.	The Company	Parent-subsiary	(Sales)	(2,474,864)	(63.65)%	O/A 120 days	-	-	1,049,345	58.55%	Note
Kunshan Juzhong Electronic Co., Ltd.	Chongqing Qunxiang Technology Co., Ltd.	Fellow subsidiary	(Sales)	(206,624)	(5.31)%	O/A 120 days	-	-	30,724	1.71%	Note
Kunshan Juzhong Electronic Co., Ltd.	The Company	Other related parties	(Sales)	(115,238)	(2.96)%	O/A 120 days	-	-	125,356	6.99%	
Chongqing Qunxiang Technology Co., Ltd.	The Company	Parent-subsiary	(Sales)	(930,842)	(46.77)%	O/A 120 days	-	-	340,077	50.59%	Note
Chongqing Qunxiang Technology Co., Ltd.	Kunshan Juzhong Electronic Co., Ltd.	Fellow subsidiary	Purchase	206,624	17.29%	O/A 120 days	-	-	(30,724)	(6.17)%	Note

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance (note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Kunshan Juzhong Electronic Co., Ltd.	Parent-subsiary	305,437	1.99	-	-	117,885	-
Kunshan Juzhong Electronic Co., Ltd.	The Company	Parent-subsiary	1,049,345	2.19	-	-	-	-
Kunshan Juzhong Electronic Co., Ltd.	Nidce (Shanghai) International Trading Co., Ltd.	Other related party	125,356	1.84	-	-	-	-
Chongqing Qunxiang Technology Co., Ltd.	The Company	Parent-subsiary	340,077	3.07	-	-	90,587	-
Kunshan Juzhong Electronic Co., Ltd.	Chongqing Qunxiang Technology Co., Ltd.	Fellow subsidiary	258,300	note 1	-	-	-	-

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

Note 1: The calculation of turnover rate excludes other receivables from related parties.

- (ix) Trading in derivative instruments: None.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (note1)	Name of company	Name of counter-party	Nature of relationship (note1)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	CCI-USA	1	Sales	61,192	On the basis of general conditions	0.71%
0	The Company	CCI-USA	1	Accounts receivable	22,299	100 days after the beginning of the following month	0.31%
0	The Company	JCI	1	Other receivables	305,437	O/A 120 days	4.20%
0	The Company	CSI	1	Other receivables	45,050	O/A 120 days	0.62%
1	JCI	The Company	2	Sales	2,474,864	On the basis of general conditions	28.82%
1	JCI	The Company	2	Accounts receivable	1,049,345	O/A 120 days	14.44%
1	JCI	CSI	3	Sales	206,624	On the basis of general conditions	2.41%
1	JCI	CSI	3	Accounts receivable	30,724	O/A 120 days	0.42%
1	JCI	CSI	3	Other receivables	258,300	On the basis of general conditions	3.55%
2	CSI	The Company	2	Sales	930,842	On the basis of general conditions	10.84%
2	CSI	The Company	2	Accounts receivable	340,077	O/A 120 days	4.68%

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Intercompany relationships and significant intercompany transactions are only disclosed sales and accounts receivable. The corresponding purchases and accounts payables are not disclosed.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value				
The Company	Conquer Wisdom Co., Ltd.	British Virgin Islands	Investment activities	737,240	737,240	18,093,265	100.00 %	3,118,771	100.00 %	404,528	402,879	Note 1 and Note 3
Conquer Wisdom Co., Ltd.	Chaun Choung Technology America Inc.	U.S.A	Sale of thermal module for computers	8,994 (USD300)	8,994 (USD300)	300,000	100.00 %	9,354 (USD312)	100.00 %	(185) (USD-6)	(185) (USD-6)	Note 2 and Note 3
Conquer Wisdom Co., Ltd.	GLOBE STAR ENTERPRISE Ltd.	Hong Kong	Investment activities	540,899 (USD18,042)	540,899 (USD18,042)	140,407,615	100.00 %	3,171,584 (USD105,790)	100.00 %	404,793 (USD13,095)	404,793 (USD13,095)	Note 2 and Note 3

Note 1: The Group recognized net income of Conquer Wisdom Co., Ltd. \$404,528 thousand, realized gross profit \$58,789 thousand and unrealized gross profit \$60,438 thousand. The Group recognized share of profits of investee \$402,879 thousand in total.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.980 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2019 was 30.912 to 1.

Note 3: The transaction has already been written off in the consolidated financial statements.

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**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (note 4)	Net income (losses) of the investee (note 4 and 7)	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 5, 6 and 7)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Kunshan Juzhong Electronic Co., Ltd.	Manufacture the thermal module for computers	689,540 (USD23,000) Note 2 - Note 3	2 Note 1	406,949 (USD13,574)	-	-	406,949 (USD13,574)	220,619 (USD7,137)	100.00%	100.00%	201,577 (USD6,521)	2,518,350 (USD84,001)	321,430
Chongqing Qunxiang Technology Co., Ltd.	Manufacture the thermal module for computers	239,840 (USD8,000)	2 Note 1	239,840 (USD8,000)	-	-	239,840 (USD8,000)	203,246 (USD6,575)	100.00%	100.00%	203,246 (USD6,575)	652,425 (USD21,762)	-
Dongguan Quanwei Electronic Co., Ltd.	Research, development and sale of thermal components	16,359 (RMB3,800)	2 Note 1	-	-	-	-	(407) (RMB-91)	100.00%	100.00%	(407) (RMB-91)	8,886 (RMB2,064)	-

Note 1: Reinvest in Mainland China by establishing investing companies which is the Group 100% owned subsidiary in third region.

Note 2: Kunshan Juzhong Electronic Co., Ltd. transferred US dollar 8,800 thousand from retained earnings to capital in 2007.

Note 3: The difference between accumulated outflow of investment from Taiwan and total amount of paid-in-capital is US Dollar 626 thousand, the primary reason is funds acquired from the shareholders in Taiwan and has not remitted to Mainland China.

Note 4: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.980 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2019 was 30.912 to 1.

Note 5: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

Note 6: The Group recognized net income of Kunshan Juzhong Electronic Co., Ltd USD7,137 thousand, realized gross profit USD272 thousand and unrealized gross profit USD888 thousand. The Group recognized share of profits of investee USD6,521 thousand in total.

Note 7: The exchange rate of New Taiwan dollars to Chinese Yuan as of December 31, 2019 was 4.305 to 1. The average exchange rate of New Taiwan dollars to Chinese Yuan for the year ended December 31, 2019 was 4.472 to 1.

## (ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
	646,789 (USD21,574)	938,884 (USD31,317)	2,435,435

Note : The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.980 to 1.

## (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

- (a) General information: The main operating activities of the Group are manufacturing, processing and trading of thermal components for computer, which is a single industry. The business decision maker considers the overall operation of the Group, customer service and after-sales support, and each segment unit acquires separately as well as retains the management team at the time of acquisition. The business decision makers manage the segment separately according to the economic environment of the segment located regions. The Group identifies the operating segments and reportable segments and assesses the operating segments which have met the quantified thresholds whether meet the core principles of aggregation, and decides to aggregate the reportable segments. If the operating segments do not meet the quantitative threshold, then they are included in other segments.
- (b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

	2019				Total
	Segment Taiwan	Segment Mainland China	Other segment	Reconciliation and elimination	
Revenue					
Revenue from external customers	\$ 6,247,640	2,266,636	71,896	-	8,586,172
Intersegment revenues	61,192	3,612,330	10,432	(3,683,954)	-
Interest revenue	4,021	7,855	721	-	12,597
<b>Total revenue</b>	<b>\$ 6,312,853</b>	<b>5,886,821</b>	<b>83,049</b>	<b>(3,683,954)</b>	<b>8,598,769</b>

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2019				
	Segment Taiwan	Segment Mainland China	Other segment	Reconciliation and elimination	Total
Interest expenses	\$ 494	183	223	-	900
Depreciation and amortization	64,607	98,486	870	(190)	163,773
Share of profit (loss) of associates subsidiaries accounted for using equity method	402,879	-	-	(402,879)	-
<b>Reportable segment profit or loss</b>	<b>\$ 868,875</b>	<b>503,776</b>	<b>404,337</b>	<b>(809,131)</b>	<b>967,857</b>
Investments accounted for using equity method	\$ 3,118,771	-	-	(3,118,771)	-
<b>Reportable segment assets</b>	<b>\$ 7,055,684</b>	<b>5,120,598</b>	<b>3,275,679</b>	<b>(8,184,986)</b>	<b>7,266,975</b>
<b>Reportable segment liabilities</b>	<b>\$ 2,996,626</b>	<b>1,949,029</b>	<b>27,983</b>	<b>(1,765,721)</b>	<b>3,207,917</b>

	2018				
	Segment Taiwan	Segment Mainland China	Other segment	Reconciliation and elimination	Total
Revenue					
Revenue from external customers	\$ 5,682,649	1,926,748	52,778	-	7,662,175
Intersegment revenues	41,672	3,362,246	10,810	(3,414,728)	-
Interest revenue	8,252	4,914	1,092	-	14,258
<b>Total revenue</b>	<b>\$ 5,732,573</b>	<b>5,293,908</b>	<b>64,680</b>	<b>(3,414,728)</b>	<b>7,676,433</b>
Interest expenses	\$ 1,501	5	-	-	1,506
Depreciation and amortization	43,552	98,697	39	-	142,288
Share of profit (loss) of subsidiaries accounted for using equity method	365,455	-	-	(365,455)	-
<b>Reportable segment profit or loss</b>	<b>\$ 815,100</b>	<b>483,379</b>	<b>370,975</b>	<b>(738,406)</b>	<b>931,048</b>
Investments accounted for using equity method	\$ 2,808,418	-	-	(2,808,418)	-
<b>Reportable segment assets</b>	<b>\$ 6,896,498</b>	<b>4,977,608</b>	<b>3,160,452</b>	<b>(8,135,072)</b>	<b>6,899,486</b>
<b>Reportable segment liabilities</b>	<b>\$ 3,058,202</b>	<b>2,087,553</b>	<b>191,948</b>	<b>(2,276,513)</b>	<b>3,061,190</b>

(c) Product and service information

Revenue from the external customers of the Group was as follows:

<b>Product and service</b>	<b>2019</b>	<b>2018</b>
Thermal module	\$ 6,338,744	5,755,678
Thermal product	1,504,308	1,432,844
Others	743,120	473,653
	<b>\$ 8,586,172</b>	<b>7,662,175</b>

**CHAUN-CHOUNG TECHNOLOGY CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2019</u>	<u>2018</u>
Revenue from external customers:		
Chinese mainland	\$ 4,743,478	4,675,494
Taiwan	1,400,672	773,575
United States	442,220	375,599
Other countries	<u>1,999,802</u>	<u>1,837,507</u>
	<u>\$ 8,586,172</u>	<u>7,662,175</u>
Non-current assets:		
Taiwan	\$ 520,749	464,408
Chinese mainland	1,156,320	1,041,435
Other countries	<u>4,535</u>	<u>194</u>
Total	<u>\$ 1,681,604</u>	<u>1,506,037</u>

Non-current assets include property, plant and equipment, right-of-use assets investment property, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(e) Major customers

	<u>2019</u>	<u>2018</u>
E00001	\$ 1,232,394	1,231,327
E00011	1,417,684	1,172,465
L00007	<u>780,398</u>	<u>732,582</u>
Total	<u>\$ 3,430,476</u>	<u>3,136,374</u>

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

**Address:** No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan  
(R.O.C.)

**Telephone:** (02)2995-2666

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

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## Independent Auditors' Report

To the Board of Directors of CHAUN-CHOUNG TECHNOLOGY CORP.:

### Opinion

We have audited the financial statements of CHAUN-CHOUNG TECHNOLOGY CORP. ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

#### 1. Revenue recognition

Please refer to note 4(o) "Revenue recognition" for accounting policy related to revenue recognition, and note 6(n) "Revenue from contracts with customers" for disclosure information about revenue recognition of the financial statements.

**Description of key audit matter:**

The main revenue of the Company comes from the researching, development, production, and sale of thermal components in the computer and related industries. Since products are highly customized, the revenue recognition is concerned by the users or receiver of the financial statements, the test for revenue recognition is a highly concerned matter when we comply the audit procedure for the financial statements of the Company.

**How the matter was addressed in our audit:**

Our principal audit procedures included obtaining the list of top-ten customers and newly-added customers for the current year to analyze whether there is an unusual situation or not, inspecting of significant new contracts and understanding terms and conditions to assess whether there are any significant abnormalities, assessing the appropriateness of accounting policies for revenue recognition (including sales returns and discounts), testing the effectiveness of the design and the implementation of internal controls of sales and performing the sales cut-off test on the period before and after the balance sheet date, to ensure sales are recognized in the appropriate accounting period.

**2. The Valuation of Inventory**

Please refer to note 4(g) "Inventories" for accounting policy related to valuation of inventories, note 5(a) for significant accounting assumptions and judgments, and major sources of estimation uncertainty related to valuation of inventories and note 6(e) "Inventories" for disclosure information about valuation of inventories of the financial statements.

**Description of key audit matter:**

The Company's products are designed based on customer's need and have the attribute of highly customized. The production strategy is mainly make-to-order (MTO) that relieves the problems of inventory obsolescence. However, the industrial characteristics of thermal components are few standard material, frequent design changes, rush orders, delay deliveries result from customer's request, and failure to reach the sales forecast. These factors make the sales of products and the preparation of material difficult, which result in the risk of inventory obsolescence increase. Considering the assessment of inventory impairment loss varies by inventory turnover which depends on the subjective judgment of the management, the valuation of inventory is a highly concerned matter when we comply the audit procedure for the financial statements of the Company.

**How the matter was addressed in our audit:**

Our principal audit procedures included obtaining the inventory aging report and analyze the variation in the corresponding period, assessing the appropriateness of inventory valuation policies and ensure the process of inventory valuation is in conformity with the accounting policies, comparing the past assessment of inventory impairment loss with the actual obsolescence losses to ensure the reasonableness of the inventory valuation, and assessing whether the disclosure of provision for inventory valuation is appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Those charged with governance (including the independent directors or supervisors) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We 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 financial statements of the current period 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 Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2020

#### Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHAUN-CHONG TECHNOLOGY CORP.**

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>								
1100 Cash and cash equivalents (notes 6(a)(q))	\$ 447,160	7	643,173	9	2100		100,000	1
1150 Notes receivable, net (notes 6(c)(n)(q))	1,033	-	577	-	2170		797,709	12
1170 Accounts receivable, net (notes 6(c)(n)(q))	1,765,262	25	1,693,180	25	2180		1,478,700	21
1181 Accounts receivable due from related parties, net (notes 6(c)(n)(q) and 7)	25,443	-	14,663	-	2200		240,351	3
1200 Other receivables (notes 6(d)(q))	8,627	-	7,631	-	2220		2,558	-
1210 Other receivables due from related parties (notes 6(d)(q) and 7)	351,675	5	444,628	7	2250		1,676	-
130X Inventories (note 6(e))	658,346	9	702,818	10	2280		-	-
1410 Prepayments	5,835	-	2,289	-	2300		-	-
1470 Other current assets	2,579	-	1,314	-			43,836	1
<b>Total current assets</b>	<b>3,265,960</b>	<b>46</b>	<b>3,510,273</b>	<b>51</b>			<b>2,664,830</b>	<b>38</b>
<b>Non-current assets:</b>								
1517 Non-current financial assets at fair value through other comprehensive income (notes 6(b)(q))	72,709	1	50,163	-	2570		387,668	6
1550 Investments accounted for using equity method (note 6(f))	3,118,771	44	2,808,418	41	2580		-	-
1600 Property, plant and equipment (notes 6(g) and 8)	445,770	7	400,475	6	2640		4,970	-
1755 Right-of-use assets	11,634	-	-	-	2645		734	-
1760 Investment property, net (note 6(h) and 8)	57,806	1	58,488	1			393,372	6
1780 Intangible assets	4,453	-	5,445	-			-	-
1840 Deferred tax assets (note 6(k))	77,495	1	63,236	1	3100		863,434	13
1900 Other non-current assets	1,086	-	-	-	3200		531,823	8
<b>Total non-current assets</b>	<b>3,789,724</b>	<b>54</b>	<b>3,386,225</b>	<b>49</b>			<b>6,164,677</b>	<b>9</b>
<b>Total assets</b>	<b>7,055,684</b>	<b>100</b>	<b>6,896,498</b>	<b>100</b>			<b>6,896,498</b>	<b>100</b>
<b>Liabilities and equity</b>								
<b>Current liabilities:</b>								
Short-term borrowings (notes 6(i)(q))	-	-	-	-			-	-
Accounts payable (note 6(q))	811,979	11	797,709	12			797,709	12
Accounts payable to related parties (notes 6(q) and 7)	1,389,422	20	1,478,700	21			1,478,700	21
Other payables (note 6(q))	276,253	4	240,351	3			240,351	3
Other payables to related parties (notes 6(q) and 7)	6,475	-	2,558	-			2,558	-
Current provisions	1,292	-	1,676	-			1,676	-
Current lease liabilities	7,989	-	-	-			-	-
Other current liabilities	38,052	1	43,836	1			43,836	1
<b>Total current liabilities</b>	<b>2,531,462</b>	<b>36</b>	<b>2,664,830</b>	<b>38</b>			<b>2,664,830</b>	<b>38</b>
<b>Non-current liabilities:</b>								
Deferred tax liabilities (note 6(k))	459,516	6	387,668	6			387,668	6
Non-current lease liabilities	3,678	-	-	-			-	-
Net defined benefit liability, non-current (note 6(j))	1,236	-	4,970	-			4,970	-
Guarantee deposits received	734	-	734	-			734	-
<b>Total non-current liabilities</b>	<b>465,164</b>	<b>6</b>	<b>393,372</b>	<b>6</b>			<b>393,372</b>	<b>6</b>
<b>Total liabilities</b>	<b>2,996,626</b>	<b>42</b>	<b>3,058,202</b>	<b>44</b>			<b>3,058,202</b>	<b>44</b>
<b>Equity (note 6(f)):</b>								
Ordinary shares	863,434	12	863,434	13			863,434	13
Capital surplus	531,823	7	531,823	8			531,823	8
Retained earnings:								
Legal reserve	676,028	10	616,467	9			616,467	9
Special reserve	185,482	3	130,906	2			130,906	2
Unappropriated retained earnings (note 6(j))	2,024,660	29	1,881,148	27			1,881,148	27
Total retained earnings	2,886,170	42	2,628,521	38			2,628,521	38
Other equity	(222,369)	(3)	(185,482)	(3)			(185,482)	(3)
Total equity	4,059,058	58	3,838,296	56			3,838,296	56
<b>Total liabilities and equity</b>	<b>7,055,684</b>	<b>100</b>	<b>6,896,498</b>	<b>100</b>			<b>6,896,498</b>	<b>100</b>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
CHAUN-CHOUNG TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenues (notes 6(n) and 7)	6,308,832	100	5,724,321	100
5000 Operating costs (notes 6(e)(g)(j)(o) and 7)	5,595,000	89	5,189,519	91
Gross profit from operations	713,832	11	534,802	9
Operating expenses (notes 6(g)(j)(o)):				
6100 Selling expenses	127,323	2	109,905	2
6200 Administrative expenses	125,382	2	101,845	2
6300 Research and development expenses	204,851	3	165,543	2
6300 Total operating expenses	457,556	7	377,293	6
Net operating income	256,276	4	157,509	3
Non-operating income and expense:				
7010 Other income (note 6(p))	217,409	3	282,164	5
7020 Other gains and losses, net (notes 6(h)(p))	(7,158)	-	12,095	-
7050 Finance costs (notes 6(p))	(494)	-	(1,501)	-
7055 Impairment loss determined in accordance with IFRS 9 (notes 6(c))	(37)	-	(622)	-
7070 Share of profit of subsidiaries accounted for using equity method, net	402,879	7	365,455	6
Total non-operating income and expenses	612,599	10	657,591	11
7900 Profit before income tax	868,875	14	815,100	14
7950 Less: Income tax expenses (note 6(k))	167,341	3	219,490	4
Profit	701,534	11	595,610	10
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	22,546	-	14,737	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income that will not be reclassified to profit or loss	22,546	-	14,737	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation	(124,916)	(2)	(57,926)	-
8391 Other components of other comprehensive income that will be reclassified to profit or loss	3,036	-	(3,928)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(24,376)	(1)	(16,776)	-
Total components of other comprehensive income that will be reclassified to profit or loss	(97,504)	(1)	(45,078)	-
8300 Other comprehensive income	(74,958)	(1)	(30,341)	-
Total comprehensive income	\$ 626,576	10	565,269	10
Basic earnings per share (note 6(m))				
Basic earnings per share (expressed in New Taiwan Dollars)	\$ 8.12		6.90	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHIAUN-CHOUNG TECHNOLOGY CORP.**

**Statements of Changes in Equity**

**For the years ended December 31, 2019 and 2018**  
 (Expressed in Thousands of New Taiwan Dollar)

	Retained earnings				Other equity			Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance on January 1, 2018	\$ 863,434	531,823	566,441	97,528	1,670,335	2,334,304	-	(130,906)	3,598,655
Effects of retrospective application	-	-	-	-	40,500	40,500	-	(25,072)	15,428
Balance on January 1, 2018 after adjustments	863,434	531,823	566,441	97,528	1,710,835	2,374,804	-	(130,906)	3,614,083
Profit for the year ended December 31, 2018	-	-	-	-	595,610	595,610	-	-	595,610
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(837)	(837)	(44,241)	14,737	(30,341)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	594,773	594,773	(44,241)	14,737	565,269
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	50,026	-	(50,026)	-	-	-	-
Special reserve	-	-	-	33,378	(33,378)	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	(341,056)	(341,056)	-	-	(341,056)
Balance on December 31, 2018	863,434	531,823	616,467	130,906	1,881,148	2,628,521	(175,147)	(10,335)	3,838,296
Profit for the year ended December 31, 2019	-	-	-	-	701,534	701,534	-	-	701,534
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	2,429	2,429	(99,933)	22,546	(74,958)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	703,963	703,963	(99,933)	22,546	626,576
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	59,561	-	(59,561)	-	-	-	-
Special reserve	-	-	-	54,576	(54,576)	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	(405,814)	(405,814)	-	-	(405,814)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(40,500)	(40,500)	-	40,500	-
Balance on December 31, 2019	\$ 863,434	531,823	676,028	185,482	2,024,660	2,886,170	(275,080)	(22,369)	4,059,058

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollar)**

	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 868,875	815,100
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	62,550	41,406
Amortization expense	2,057	2,146
Expected credit loss	37	622
Interest expense	494	1,501
Interest income	(4,021)	(8,252)
Dividend income	(927)	(1,091)
Share of profit of subsidiaries, accounted for using equity method	(402,879)	(365,455)
Loss on disposal of property, plant and equipment	11,054	924
Unrealized (gain) loss on transactions with affiliates	(32,390)	9,218
Unrealized foreign exchange loss	4,555	429
<b>Total adjustments to reconcile profit</b>	<u>(359,470)</u>	<u>(318,552)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease in notes receivable	471	515
Increase in accounts receivable	(72,119)	(111,120)
Increase in accounts receivable due from related parties	(10,780)	(2,461)
(Increase) decrease in other receivables	(2,468)	1,810
Decrease in other receivable due from related parties	92,953	1,243
Decrease (increase) in inventories	44,472	(136,838)
(Increase) decrease in prepayments	(3,546)	1,153
Increase in other current assets	(1,265)	(44)
Increase in accounts payable	14,270	46,844
(Decrease) increase in accounts payable to related parties	(89,278)	108,301
Increase in other payables	48,571	18,918
Increase (decrease) in other payable to related parties	3,917	(136)
Decrease in provisions	(384)	(1,488)
(Decrease) increase in other current liabilities	(5,784)	13,124
Decrease in net defined benefit liability	(698)	(6,207)
<b>Total changes in operating assets and liabilities</b>	<u>18,332</u>	<u>(66,386)</u>
<b>Total adjustments</b>	<u>(341,138)</u>	<u>(384,938)</u>
Cash inflow generated from operations	527,737	430,162
Interest received	4,402	8,231
Interest paid	(512)	(1,580)
Income taxes paid	(98,027)	(149,303)
<b>Net cash flows from operating activities</b>	<u>433,600</u>	<u>287,510</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(112,484)	(51,120)
Proceeds from disposal of property, plant and equipment	991	4,168
Increase in refundable deposits	(1,086)	-
Acquisition of intangible assets	(1,065)	(1,520)
Dividends received	1,091	455
<b>Net cash flows used in investing activities</b>	<u>(112,553)</u>	<u>(48,017)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(100,000)	(210,000)
Payment of lease liabilities	(6,691)	-
Cash dividends paid	(405,814)	(341,056)
<b>Net cash flows used in financing activities</b>	<u>(512,505)</u>	<u>(551,056)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(4,555)</u>	<u>(429)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(196,013)</u>	<u>(311,992)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>643,173</u>	<u>955,165</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 447,160</u>	<u>643,173</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)**

**(1) Company history**

Chaun-Choung Technology Corporation (the “Company”) was incorporated in December 14, 1973 as a company limited by shares under the approval of Ministry of Economic Affairs. The registration location is No. 184-3, Zhongxing N. St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.). The main operating activities of the Company are manufacturing and merchandising vapor chamber, heat pipe and thermal module. For more detailed information, please refer to note 14.

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

These financial statements were authorized for issue by the Board of Directors on March 25, 2020.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

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

The Company decided to apply recognition exemptions to short-term leases of office equipments.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

(Continued)



## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### 3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

#### 4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$5,638 thousand of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.50%.

#### (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of significant changes are as follows:

(i) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

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

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. Excluding foreign operations in hyperinflationary economies, the income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or tWA or higher per Taiwan Ratings’.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

4) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount, and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

(Continued)



## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, and presented in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of the derivative financial instruments is positive, it is classified as financial assets, whereas when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.****Notes to the Financial Statements****(h) Investment in subsidiaries**

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss and other comprehensive income recognized in the parent-company-only financial statement is the same as total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in parent-company-only financial statements is the same as changes in equity attributable to owners of parent in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as equity transactions between the proprietors.

**(i) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

**(j) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

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

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- |    |                  |            |
|----|------------------|------------|
| 1) | buildings        | 3~50 years |
| 2) | machinery        | 1~10 years |
| 3) | office equipment | 3 years    |
| 4) | other equipment  | 2~10 years |

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

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

The Company should assess an arrangement that are not lease by law at the commencement date. If the fulfillment of arrangement depends on specific assets' use and transfer the right-of-use, it is lease or includes a lease. At the commencement date or reassessment date, the Company classify the lease as a finance lease or an operating lease by the policy mention above.

(l) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

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**CHAUN-CHOUNG TECHNOLOGY CORP.****Notes to the Financial Statements****(iii) Amortization**

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software cost 5~6 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

**(m) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At each reporting date, the Company reviews the accumulated impairment of its non-financial assets to determine whether there is any indication of reversal of impairment. If any such indication that the asset's recoverable amount is changed exists, the impairment loss will be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(n) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.****Notes to the Financial Statements**

## (o) Revenue recognition

## (i) Revenue from contracts with customers

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

## 1) Sale of goods—vapor chamber, heat pipe and thermal module

The Company manufactures and sells vapor chamber, heat pipe and thermal module. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of vapor chamber, heat pipe and thermal module are made with a credit term of 100 days, which is consistent with the market practice.

The Company reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company's obligation to provide a refund for faulty vapor chamber, heat pipe and thermal module under the standard warranty terms is recognized as a provision for warranty.

## 2) Financing components

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

(Continued)



**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

(iii) Short-term employee benefits

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

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

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

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

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

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its parent-company-only financial statements.

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

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(a) The valuation of inventory

Inventories are stated at the lower of cost or net realizable value. The Company estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on the assumptions of future demand within a specific time horizon. For the estimation of the valuation of inventory, please refer to note 6(e).

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**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 249	341
Demand deposits	446,901	438,408
Check deposit	10	10
Time deposits	<u>-</u>	<u>204,414</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 447,160</u>	<u>643,173</u>

Please refer to note 6(q) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2019 and 2018, the cash and cash equivalents of the Company had not been pledged as collateral for borrowings or lawsuit.

(b) Financial assets at fair value through other comprehensive income

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Domestic unlisted common shares-Everflow Technology Corporation	<u>\$ 72,709</u>	<u>50,163</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$927 thousand and \$1,091 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

The Company derecognized the equity investments at fair value through other comprehensive income because the investee company, "Asia Carbon Corporation," dissolved at September 12, 2019. The accumulated valuation loss of \$40,500 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2018.

(ii) For market risk, please refer to note 6(q).

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(iii) As of December 31, 2019 and 2018, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral.

(c) Notes and trade receivables

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	\$ 1	10
Notes receivable from non-operating activities	1,032	567
Notes receivables	<u>\$ 1,033</u>	<u>577</u>
Trade receivables (including related parties)	\$ 1,791,364	1,708,465
Less: Loss allowance	(659)	(622)
Net trade receivables	<u>\$ 1,790,705</u>	<u>1,707,843</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,750,490	0.00029%	6
1 to 30 days past due	32,743	0.03054%	10
31 to 120 days past due	3,035	0.13180%	4
121 to 180 days past due	5,505	0.27248%	15
More than 180 days past due	624	100%	624
	<u>\$ 1,792,397</u>		<u>659</u>

	December 31, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,681,610	0.00113%	19
1 to 30 days past due	22,123	0.03026%	7
31 to 120 days past due	4,720	0.14830%	7
121 to 180 days past due	-	0.27732%	-
More than 180 days past due	589	100%	589
	<u>\$ 1,709,042</u>		<u>622</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

The movement in the allowance for notes and trade receivables were as follows:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 622	-
Impairment losses recognized	<u>37</u>	<u>622</u>
Balance at December 31	<u>\$ 659</u>	<u>622</u>

As of December 31, 2019 and 2018, the aforementioned notes and trade receivables of the Company had not been pledged as collateral.

For further credit risk information, please refer to note 6(q).

(d) Other receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables	\$ <u>8,627</u>	<u>7,631</u>
Other receivables from related parties	\$ <u>351,675</u>	<u>444,628</u>

As of December 31, 2019 and 2018, no allowance for impairment was provided because all of the other receivables were still within the normal credit terms.

For further credit risk information, please refers to note 6(q).

(e) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Raw materials	\$ 23,332	15,498
Work in progress	58,289	53,093
Finished goods	490,285	467,312
Merchandise inventory	<u>86,440</u>	<u>166,915</u>
	<u>\$ 658,346</u>	<u>702,818</u>

For the years ended December 31, 2019 and 2018, the loss of inventories recognized in operating costs amounted to \$33,306 thousand and \$74,637 thousand, respectively. The details of the loss of inventories were as follows:

	<u>2019</u>	<u>2018</u>
Unallocated production overheads	\$ 92	2,047
(Reversal of write-downs) Write-down of inventories	(13,221)	28,738
Income from sale of scrap and wastes	(13,595)	(8,008)
Loss from scrap	<u>60,030</u>	<u>51,860</u>
Increase in cost of sales	<u>\$ 33,306</u>	<u>74,637</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

For the years ended December 31, 2019 and 2018, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales amounted to \$5,561,694 thousand and \$5,114,882 thousand, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	<u>\$ 3,118,771</u>	<u>2,808,418</u>

(i) Subsidiaries

For the information of subsidiaries, please refer to the consolidated financial statements for the years ended December 31, 2019.

(ii) Collateral

As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using equity method as collateral for its loans.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

	Land	Buildings	Machinery	Office equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>							
Balance on January 1, 2019	\$ 210,127	68,322	161,467	209	89,856	8,011	537,992
Additions	-	34,504	27,214	-	25,985	24,781	112,484
Disposal	-	(218)	(24,667)	-	(7,829)	-	(32,714)
Reclassification	-	-	1,801	-	-	(1,801)	-
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>102,608</u>	<u>165,815</u>	<u>209</u>	<u>108,012</u>	<u>30,991</u>	<u>617,762</u>
Balance on January 1, 2018	\$ 210,127	61,020	149,348	209	73,558	8,664	502,926
Additions	-	7,384	19,634	-	17,785	6,317	51,120
Disposal	-	(82)	(11,067)	-	(4,905)	-	(16,054)
Reclassification	-	-	3,552	-	3,418	(6,970)	-
Balance on December 31, 2018	<u>\$ 210,127</u>	<u>68,322</u>	<u>161,467</u>	<u>209</u>	<u>89,856</u>	<u>8,011</u>	<u>537,992</u>
<b>Depreciation:</b>							
Balance on January 1, 2019	\$ -	34,936	62,005	131	40,445	-	137,517
Depreciation	-	8,927	24,201	26	21,990	-	55,144
Disposal	-	(218)	(13,718)	-	(6,733)	-	(20,669)
Balance on December 31, 2019	<u>\$ -</u>	<u>43,645</u>	<u>72,488</u>	<u>157</u>	<u>55,702</u>	<u>-</u>	<u>171,992</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

	Land	Buildings	Machinery	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1, 2018	\$ -	29,093	50,552	105	29,963	-	109,713
Depreciation	-	5,925	19,998	26	14,775	-	40,724
Disposal	-	(82)	(8,545)	-	(4,293)	-	(12,920)
Balance on December 31, 2018	<u>\$ -</u>	<u>34,936</u>	<u>62,005</u>	<u>131</u>	<u>40,445</u>	<u>-</u>	<u>137,517</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2019	<u>\$ 210,127</u>	<u>58,963</u>	<u>93,327</u>	<u>52</u>	<u>52,310</u>	<u>30,991</u>	<u>445,770</u>
Balance on December 31, 2018	<u>\$ 210,127</u>	<u>33,386</u>	<u>99,462</u>	<u>78</u>	<u>49,411</u>	<u>8,011</u>	<u>400,475</u>

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for borrowings, please refer to note 8.

(h) Investment property

	Land	Buildings	Total
<b>Cost:</b>			
Balance at January 1, 2019	\$ 36,370	34,776	71,146
Balance at December 31, 2019	<u>\$ 36,370</u>	<u>34,776</u>	<u>71,146</u>
Balance at January 1, 2018	\$ 36,370	34,776	71,146
Balance at December 31, 2018	<u>\$ 36,370</u>	<u>34,776</u>	<u>71,146</u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2019	\$ -	12,658	12,658
Depreciation for the year	-	682	682
Balance at December 31, 2019	<u>\$ -</u>	<u>13,340</u>	<u>13,340</u>
Balance at January 1, 2018	\$ -	11,976	11,976
Depreciation for the year	-	682	682
Balance at December 31, 2018	<u>\$ -</u>	<u>12,658</u>	<u>12,658</u>
<b>Carrying amount:</b>			
Balance at December 31, 2019	<u>\$ 36,370</u>	<u>21,436</u>	<u>57,806</u>
Balance at December 31, 2018	<u>\$ 36,370</u>	<u>22,118</u>	<u>58,488</u>
<b>Fair value:</b>			
Balance at December 31, 2019			<u>\$ 141,396</u>
Balance at December 31, 2018			<u>\$ 149,257</u>

The Company classifies the land and building as investment property with the intention of earning a return on the investment either through rental income, the future resale of the property, or both.

The fair value of investment property is in reference to the appraisal report, done by independent professionals or publicly available average price of recent transactions.

As of December 31, 2019 and 2018, the investment property of the Company had been pledged as collateral for borrowings, please refer to note 8.

(Continued)



**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	\$ -	<u>100,000</u>
Unused credit lines	\$ <u>1,127,780</u>	<u>1,197,688</u>
Range of interest rates	<u>-</u>	<u>0.92%</u>

For the collateral for short-term borrowings, please refer to note 8.

(j) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of the defined benefit obligations	\$ 53,314	58,085
Fair value of plan assets	<u>(52,078)</u>	<u>(53,115)</u>
Net defined benefit liabilities	\$ <u>1,236</u>	<u>4,970</u>

The Company's employee benefit liabilities were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Compensated absences liability	\$ <u>4,211</u>	<u>3,683</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$52,078 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations at January 1	\$ 58,085	59,897
Current service costs and interest cost	1,846	1,860
Remeasurements loss (gain):		
— Return on plan assets (excluding interest income)	3,482	3,336
— Actuarial loss (gain) arising from financial assumptions	(4,832)	1,820
Benefits paid	<u>(5,267)</u>	<u>(8,828)</u>
Defined benefit obligations at December 31	<u>\$ 53,314</u>	<u>58,085</u>

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 53,115	52,648
Interest income	739	867
Remeasurements loss (gain):		
— Return on plan assets (excluding interest income)	1,686	1,228
Contributions paid by the employer	1,805	1,809
Benefits paid	<u>(5,267)</u>	<u>(3,437)</u>
Fair value of plan assets at December 31	<u>\$ 52,078</u>	<u>53,115</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 1,050	889
Net interest of net liabilities for defined benefit obligations	<u>57</u>	<u>104</u>
	<u>\$ 1,107</u>	<u>993</u>
	<u>2019</u>	<u>2018</u>
Operating cost	\$ 57	184
Administration expenses	<u>1,050</u>	<u>809</u>
	<u>\$ 1,107</u>	<u>993</u>

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

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

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ (12,367)	(11,530)
Recognized during the period	<u>2,429</u>	<u>(837)</u>
Accumulated amount at December 31	<u>\$ (9,938)</u>	<u>(12,367)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125 %	1.375 %
Future salary increase rate	1.000 %	2.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$1,790 thousand.

The weighted average lifetime of the defined benefits plans is 17.62 years.

7) Sensitivity analysis

When calculating the present value of defined benefit obligation, the Company must use judgment and estimates to determine the relevant actuarial assumptions at the balance sheet date, including discount rate, employee turnover rate, and future salary increase rate. Any change in actuarial assumptions could materially affect the amount of the Company's defined benefit obligation.

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2019		
Discount rate (0.25% variation)	\$ 208	(1,974)
Future salary increasing rate (0.25% variation)	(2,001)	(5,412)
December 31, 2018		
Discount rate (0.25% variation)	(1,820)	1,906
Future salary increasing rate (0.25% variation)	1,862	(1,788)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$10,106 thousand and \$9,035 thousand for the years ended December 31, 2019 and 2018, respectively.

(k) Income taxes

(i) Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Current tax expense	\$ 85,376	122,776
Deferred tax expense	81,965	96,714
Income tax expense	<b>\$ 167,341</b>	<b>219,490</b>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows.

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ <u>868,875</u>	<u>815,100</u>
Income tax using the Company's domestic tax rate	\$ 173,775	163,020
Effect of tax rates in foreign jurisdiction	(8,867)	(7,989)
Adjustment in tax rate	-	40,614
Tax-exempt income	(185)	(145)
Tax incentives	(4,500)	(10,823)
Difference between estimate and assessment	3,989	4,000
(Over-estimation) under-estimation from prior periods	(985)	23,501
Undistributed earnings additional tax	5,766	7,312
Others	<u>(1,652)</u>	<u>-</u>
Total	<u>\$ 167,341</u>	<u>219,490</u>

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred Tax Liabilities:

	<u>Investment income recognized under equity method</u>	<u>Cumulative translation adjustments</u>	<u>Reserve for land revaluation increment tax</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 359,690	-	26,241	1,737	387,668
Recognized in profit or loss	71,708	-	-	140	71,848
Balance at December 31, 2019	<u>\$ 431,398</u>	<u>-</u>	<u>26,241</u>	<u>1,877</u>	<u>459,516</u>
Balance at January 1, 2018	\$ 250,398	-	26,241	1,340	277,979
Recognized in profit or loss	109,292	-	-	397	109,689
Balance at December 31, 2018	<u>\$ 359,690</u>	<u>-</u>	<u>26,241</u>	<u>1,737</u>	<u>387,668</u>

Deferred Tax Assets:

	<u>Allowance for inventory valuation and obsolescence losses</u>	<u>Unrealized profit on downstream transactions</u>	<u>Cumulative translation adjustments</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 12,147	18,302	25,579	7,208	63,236
Recognized in profit or loss	(2,645)	(6,478)	-	(994)	(10,117)
Recognized directly in equity	-	-	24,982	(606)	24,376
Balance at December 31, 2019	<u>\$ 9,502</u>	<u>11,824</u>	<u>50,561</u>	<u>5,608</u>	<u>77,495</u>
Balance at January 1, 2018	\$ 5,439	13,657	11,894	2,495	33,485
Recognized in profit or loss	6,708	4,645	-	1,622	12,975
Recognized directly in equity	-	-	13,685	3,091	16,776
Balance at December 31, 2018	<u>\$ 12,147</u>	<u>18,302</u>	<u>25,579</u>	<u>7,208</u>	<u>63,236</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

(iii) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the R.O.C. tax authority.

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2019 and 2018, the Company's government-registered total authorized capital both amounted to \$1,200,000 thousand, and total issued capital stock both amounted to \$863,434 thousand, divided into 86,343 thousand shares of stock with \$10 par value per share.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Share capital	\$ 376,600	376,600
Conversion of bonds	<u>155,223</u>	<u>155,223</u>
	<b><u>\$ 531,823</u></b>	<b><u>531,823</u></b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The distribution of retained earnings of the Company should not be less than 50% of the net income. In addition, the stock dividends shall not be more than 80% of total dividends and the cash dividends shall not be less than 20% of total dividends when distributing the dividends.

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## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gain) which were previously recognized in shareholders' equity were reclassified to retained earnings. According to regulations, retained earnings would be increased by \$84,833 thousand, by recognizing the fair value on the adoption date as deemed cost. In accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special reserve during earning distribution, and when the relevant assets were used, disposed of or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The balance of special reserve amounted to \$185,482 thousand and \$130,906 thousand as of December 31, 2019 and 2018, respectively.

In accordance with Ruling mentioned above, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 24, 2019 and June 19, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.70	405,814	3.95	341,056

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(iv) Other equity accounts, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2019	\$ (175,147)	(10,335)	(185,482)
Exchange differences on translation of foreign financial statements, net of tax	(99,933)	-	(99,933)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	22,546	22,546
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	40,500	40,500
Balance at December 31, 2019	<u>\$ (275,080)</u>	<u>52,711</u>	<u>(222,369)</u>
Balance at January 1, 2018	\$ (130,906)	-	(130,906)
Effects of retrospective application	-	(25,072)	(25,072)
Balance at January 1, 2018 after adjustments	(130,906)	(25,072)	(155,978)
Exchange differences on translation of foreign financial statements, net of tax	(44,241)	-	(44,241)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	14,737	14,737
Balance at December 31, 2018	<u>\$ (175,147)</u>	<u>(10,335)</u>	<u>(185,482)</u>

(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 and 2018, were based on the profit attributable to ordinary shareholders of the Company of \$701,534 thousand and \$595,610 thousand, respectively, and the weighted average number of ordinary shares outstanding of 86,343 thousand shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2019</u>	<u>2018</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 701,534</u>	<u>595,610</u>

(Continued)



**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

2) Weighted average number of ordinary shares

	<u>2019</u>	<u>2018</u>
Issued ordinary shares at January 1	\$ <u>86,343</u>	<u>86,343</u>
Weighted average number of ordinary shares at December 31	\$ <u>86,343</u>	<u>86,343</u>

Considering the employee profit sharing plan and the dividend payout experience in the most recent 2 year, the Company paid the cash bonus and the cash dividends. As the result, the basic earnings per share and the diluted earnings per share were the same for the years ended, 2019 and 2018.

(n) Revenue from contracts with customers

(i) Details of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Chinese mainland	\$ 2,479,669	2,752,657
Taiwan	1,400,672	774,290
Singapore	702,726	512,924
Malaysia	517,392	499,105
United States	431,517	366,370
Others	<u>776,856</u>	<u>818,975</u>
	<u>\$ 6,308,832</u>	<u>5,724,321</u>
Major products:		
Thermal module	\$ 4,321,815	4,025,292
Thermal products	1,265,690	1,227,178
Others	<u>721,327</u>	<u>471,851</u>
	<u>\$ 6,308,832</u>	<u>5,724,321</u>

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes receivables from operating activities	\$ 1	10	1,092
Trade receivables (including related parties)	1,791,364	1,708,465	1,606,895
Less: allowance for impairment	<u>(659)</u>	<u>(622)</u>	<u>-</u>
Total	<u>\$ 1,790,706</u>	<u>1,707,853</u>	<u>1,607,987</u>

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

(o) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$46,000 thousand and \$42,000 thousand, and directors' and supervisors' remuneration amounting to \$5,000 thousand and \$13,600 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2019 and 2018.

(p) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 4,021	8,252
Dividend income	927	1,091
Rent income	4,199	4,199
Commission income from purchase of raw materials and equipments	199,640	261,813
Other income, others	<u>8,622</u>	<u>6,809</u>
	<u>\$ 217,409</u>	<u>282,164</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2019</u>	<u>2018</u>
Depreciation of investment property	\$ (682)	(682)
Losses on disposals of property, plant and equipment	(11,054)	(924)
Foreign exchange gains	4,880	14,295
Others	<u>(302)</u>	<u>(594)</u>
	<u>\$ (7,158)</u>	<u>12,095</u>

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

## (iii) Finance costs

The details of finance costs were as follows:

	<u>2019</u>	<u>2018</u>
Interest expense of loans	\$ (227)	(1,493)
Amortization interest of lease liabilities	(260)	-
Other finance costs	<u>(7)</u>	<u>(8)</u>
	<u>\$ (494)</u>	<u>(1,501)</u>

## (q) Financial instruments

## (i) Categories of financial instruments

## 1) Financial assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through other comprehensive income	\$ <u>72,709</u>	<u>50,163</u>
Financial assets at amortized cost (loans and receivables)		
Cash and cash equivalents	447,160	643,173
Notes and trade receivables (including related parties)	1,791,738	1,708,420
Other receivables (including related parties)	<u>360,302</u>	<u>452,259</u>
Subtotal	<u>2,599,200</u>	<u>2,803,852</u>
Total	<u>\$ 2,671,909</u>	<u>2,854,015</u>

## 2) Financial liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities at amortized cost		
Short-term borrowings	\$ -	100,000
Accounts payables (including related parties)	2,201,401	2,276,409
Other payables (including related parties)	282,728	242,909
Lease liabilities	<u>11,667</u>	<u>-</u>
Total	<u>\$ 2,507,463</u>	<u>2,619,318</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

## (ii) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the Company's exposure to credit risk and the maximum exposure were mainly from notes and trade receivables and other receivables, the amount is \$1,774,922 thousand and \$1,701,388 thousand, respectively.

## 2) Concentration of credit risk

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2019 and 2018, 40% and 35%, respectively, of trade receivables were three major customers. Thus, credit risk is significantly centralized.

## 3) Credit risk of receivables

For credit risk exposure of notes and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables.

All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). For the years ended December 31, 2019 and 2018, no allowance for impairment were provided because there was no indication of credit-impaired for other receivables.

## (iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2019</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable (including related parties)	\$ 2,201,401	(2,201,401)	(2,201,401)	-	-	-
Other payables (including related parties)	282,728	(282,728)	(282,728)	-	-	-
Lease liabilities	<u>11,667</u>	<u>(11,947)</u>	<u>(4,109)</u>	<u>(4,080)</u>	<u>(2,624)</u>	<u>(1,134)</u>
	<u>\$ 2,495,796</u>	<u>(2,496,076)</u>	<u>(2,488,238)</u>	<u>(4,080)</u>	<u>(2,624)</u>	<u>(1,134)</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP.**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities						
Unsecured loans	\$ 100,000	(100,060)	(100,060)	-	-	-
Accounts payable (including related parties)	2,276,409	(2,276,409)	(2,276,409)	-	-	-
Other payables (including related parties)	<u>242,909</u>	<u>(242,909)</u>	<u>(242,909)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,619,318</u>	<u>(2,619,378)</u>	<u>(2,619,378)</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 81,510	29.980	2,443,670	82,512	30.715	2,534,356
CNY	28,166	4.305	121,255	50,166	4.472	224,342
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	71,549	29.980	2,145,039	72,879	30.715	2,238,478
CNY	2,946	4.305	12,683	2,834	4.472	12,674

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings and trade and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD and CNY as of December 31, 2019 and 2018, would have decreased the net income before tax by \$4,072 thousand and \$5,075 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019 and 2018.

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$4,880 thousand and \$14,295 thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the Company's net income would have decreased / increased by \$0 thousand and \$1,000 thousand, respectively, for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 447,160	-	-	-	-
Notes and trade receivable (including related parties)	1,791,738	-	-	-	-
Other receivables (including related parties)	360,302	-	-	-	-
Financial assets at fair value through other comprehensive income	<u>72,709</u>	<u>-</u>	<u>-</u>	<u>72,709</u>	<u>72,709</u>
Total	<u>\$ 2,671,909</u>	<u>-</u>	<u>-</u>	<u>72,709</u>	<u>72,709</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Notes and trade payables (including related parties)	\$ 2,201,401	-	-	-	-
Other payables (including related parties)	282,728	-	-	-	-
Lease liabilities	11,667	-	-	-	-
<b>Total</b>	<b>\$ 2,495,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	December 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 643,173	-	-	-	-
Notes and trade receivable (including related parties)	1,708,420	-	-	-	-
Other receivables (including related parties)	452,259	-	-	-	-
Financial assets at fair value through other comprehensive income	50,163	-	-	50,163	50,163
<b>Total</b>	<b>\$ 2,854,015</b>	<b>-</b>	<b>-</b>	<b>50,163</b>	<b>50,163</b>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 100,000	-	-	-	-
Notes and trade payables (including related parties)	2,276,409	-	-	-	-
Other payables (including related parties)	242,909	-	-	-	-
<b>Total</b>	<b>\$ 2,619,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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## CHAUN-CHOUNG TECHNOLOGY CORP.

### Notes to the Financial Statements

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair value of the Company's financial instruments that have an active market is displayed by category and attribute as follows:

The listed callable bonds, listed stocks, bill of exchange and corporate bonds are financial assets and liabilities with standard transaction terms and conditions, and traded on active market. The fair value of such items is determined in reference to the quoted market price.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

Fair value of the Company's financial instruments that without an active market is displayed by category and attribute as follows:

Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

3) Transfers between Level 1 and Level 2

There were no transfers between levels of fair value hierarchy for the years ended December 31, 2019 and 2018.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is fair value through other comprehensive income – equity investments.

The equity investments without active market has multiple significant unobservable inputs. The significant unobservable inputs are independent of each other, and no interrelationship exists.

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market comparable companies method	Discount rate for lack of market circulation (25% as of December 31, 2019 and 2018)	The higher the discount rate for lack of market circulation, the lower the fair value.

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent-Company-only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Company's risk management policies.

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

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

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**CHAUN-CHOUNG TECHNOLOGY CORP.****Notes to the Financial Statements****(iii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer.

**1) Trade and other receivable**

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Company; these limits are reviewed regularly. No collateral required for trade and other receivable, Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Clients who transaction with the Company has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Company only on a prepayment basis.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivable and investments. Major components of this impairment allowance are specific loss component that is related to individually significant exposure and collective loss component where is the loss incurred but not identified. The collective loss component is based on historical payment experience of similar financial assets.

**2) Investments**

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

**3) Guarantees**

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2019 and 2018, the Company provided financial guarantees to subsidiaries, please refer to note 7(c).

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2019 and 2018, the Company's unused credit line were amounted to \$1,127,780 thousand and \$1,197,688 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Company doesn't apply hedge accounting.

2) Interest rate risk

The Company holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Company's assets and liabilities, please refer to note "liquidity risk management".

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**CHAUN-CHOUNG TECHNOLOGY CORP.**  
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3) Other market price risk

The Company doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Company monitors funds by regularly review debt-to-equity ratio. As of December 31, 2019 and 2018, the Company's debt-to-equity ratio is as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Total liabilities	\$ 2,996,626	3,058,202
Less: cash and cash equivalents	<u>(447,160)</u>	<u>(643,173)</u>
Net debt	<u>\$ 2,549,466</u>	<u>2,415,029</u>
Total equity	<u>\$ 4,059,058</u>	<u>3,838,296</u>
Debt-to-equity ratio	<u>62.81 %</u>	<u>62.92 %</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

Nidec Corporation acquired 48% of the Company's ordinary shares through public tender offer during October 3, 2018 to November 21, 2018. Therefore, Nidec Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2019 and 2018, it owns 52.14% and 48% of all shares outstanding of the Company, respectively. Nidec Corporation has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Nidec Corporation	The parent company
Conquer Wisdom Co., Ltd.	The Company's subsidiary
Chaun Choung Techonology America Inc.	The Company's subsidiary
GLOBE STAR ENTERPRISE Ltd.	The Company's subsidiary
Kunshan Juzhong Electronic Co., Ltd.	The Company's subsidiary
Chongqing Qunxiang Technology Co., Ltd.	The Company's subsidiary

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

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<u>Name of related party</u>	<u>Relationship with the Company</u>
Dongguan Quanwei Electronic Co., Ltd.	The Company's subsidiary
Nidec Machinery Corporation	The Company's other related parties
Nidec Sankyo (H.K.) Co LTD	The Company's other related parties
Nidec Machinery (Zhejiang) Corporation	The Company's other related parties
Nidec Sankyo Taiwan Corporation	The Company's other related parties
Nidec (DongGuan) Limited	The Company's other related parties
Nidec (Dalian) Limited	The Company's other related parties
Create Area Interior Design Co., Ltd.	The Company's other related parties

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties and the balance of accounts receivables were as follows:

	<u>Sales</u>		<u>Accounts receivables</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The parent company	\$ 2,324	-	2,956	-
Subsidiaries	\$ 61,192	41,672	22,299	14,663
Other related parties	\$ 188	-	188	-

The selling price for related parties approximated the market price. The accounts receivables arising from sales of parent company and other related parties are collected two to four months after the account day. The accounts receivables arising from sales of subsidiaries are collected on the 100 days after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchases

The amounts of significant purchases by the Company from related parties and the balance of accounts payable were as follows:

	<u>Purchase</u>		<u>Accounts Payable</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries				
Kunshan Juzhong Electronic Co., Ltd.	\$ 2,474,864	2,744,783	1,049,345	1,213,229
Chongqing Qunxiang Technology Co., Ltd.	930,842	617,458	340,077	265,471
	<u>\$ 3,405,706</u>	<u>3,362,241</u>	<u>1,389,422</u>	<u>1,478,700</u>

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

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The pricing of purchase transactions with subsidiaries were not significantly different from those offered by other vendors. The payment terms within 120 days after the account day, which were no different from the payment terms given by other vendors.

(iii) Property transactions

The acquisition price of property, plant and equipment purchased from related parties and the balance of other payables are summarized as follows:

	Acquisition price		Other payables	
	2019	2018	December 31, 2019	December 31, 2018
Other related parties				
Create Area Interior Design Co., Ltd. \$	31,316	-	3,198	-
Other related parties	<u>3,153</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,469</u>	<u>-</u>	<u>3,198</u>	<u>-</u>

(iv) Others

- 1) The amounts of purchase of raw materials and equipment and advance payment by the Company to related parties, and the balance of other receivables were as follows:

	Purchase of raw materials and equipment and advance payment to related parties		Other receivables	
	2019	2018	December 31, 2019	December 31, 2018
The parent company	\$ <u>25</u>	<u>-</u>		
Subsidiaries	\$ <u>809,743</u>	<u>958,153</u>		
Subsidiaries				
Kunshan Juzhong Electronic Co., Ltd.	\$ 305,437	423,233		
Other subsidiaries	<u>46,238</u>	<u>21,395</u>		
	\$ <u>351,675</u>	<u>444,628</u>		

- 2) The amounts of purchase of machine part, raw materials and equipment and advance payment by the Company from related parties, and commission expenses to related parties, as well as the balance of other payables were as follows:

	Purchase of raw materials and equipment and advance payment from related parties		Commission expense	
	2019	2018	2019	2018
The parent company	\$ <u>3,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subsidiaries	\$ <u>3,382</u>	<u>1,867</u>	<u>10,432</u>	<u>10,810</u>
Other related parties	\$ <u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements**

	<u>Other payables</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The parent company		
Nidec Corporation	\$ <u>1,264</u>	<u>-</u>
Subsidiaries		
Chaun Choung Technology America Inc.	\$ 1,645	2,336
Kunshan Juzhong Electronic Co., Ltd.	50	146
Other subsidiaries	<u>145</u>	<u>76</u>
	<u>\$ 1,840</u>	<u>2,558</u>
Other related parties	<u>\$ 30</u>	<u>-</u>

The abovementioned transactions, the Company write off the unrealized miscellaneous revenue and give rise to unrealized profit amounted to \$59,122 thousand and \$91,510 thousand as of December 31, 2019 and 2018, respectively, and the unrealized profit is recognized as the deduction of investments accounted for using equity method.

- 3) The amounts of purchase of sample by the Company from related parties and the balance of other payables were as follows:

	<u>Sample fee</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ <u>473</u>	<u>-</u>
Other related parties	<u>\$ 99</u>	<u>-</u>

	<u>Other payables</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries		
Kunshan Juzhong Electronic Co., Ltd.	\$ <u>47</u>	<u>-</u>
Other related parties	<u>\$ 96</u>	<u>-</u>

- (v) Endorsements and guarantees

The amounts of endorsements and guarantee by the Company to related parties were as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>USD</u>	<u>NTD</u>	<u>USD</u>	<u>NTD</u>
	<u>(thousand)</u>		<u>(thousand)</u>	
Subsidiaries				
Chongqing Qunxiang Technology Co., Ltd.	\$ <u>-</u>	<u>-</u>	<u>11,000</u>	<u>337,865</u>

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(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 54,089	36,872
Post-employment benefits	658	1,128
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 54,747</u>	<u>38,000</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Property, plant and equipment-land	Bank loans	\$ 78,218	78,278
Property, plant and equipment-buildings	Bank loans	43,312	19,087
Investment property-land	Bank loans	36,370	36,370
Investment property-buildings	Bank loans	<u>21,436</u>	<u>22,118</u>
		<u>\$ 179,336</u>	<u>155,853</u>

(9) Significant commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Subsequent events:

- (a) On January 14, 2020, the Board of Directors approved the establishment of Nidec Chaun Choung Vietnam Corporation ("NCCV"), a subsidiary in Vietnam, as a investment in Vietnam. The government-registered total authorized capital was USD10,000 thousand. In accordance with the law in Vietnam, the Company will contribute the full amount (USD10,000 thousand in cash) within 90 days from the NCCV obtains the Business Registration Certificate. On March 25, 2020, the Board of Directors approved the signing of a land lease between NCCV and FTP Hoa Lac Hi-tech Park Development Company for the future construction of the plant in Vietnam, as well as the design and construction of the Vietnam plant will outsourcing to Sumitomo Mitsui Construction Co., Ltd., and the engineering contract amount not exceeding JPY1,383 million (equivalent to approximately NTD405 million). The Company will sign engineering contract with Sumitomo Mitsui Construction Co., Ltd.

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**CHAUN-CHOUNG TECHNOLOGY CORP.**

**Notes to the Financial Statements**

- (b) The Company's subsidiaries, Kunshan Juzhong Electronic Co., Ltd. and Chongqing Qunxiang Technology Co., Ltd, are experiencing uncertainty in the operating environment in the Chinese mainland due to the COVID-19 outbreak in the beginning of 2020, which has affected the operations of the subsidiaries in the Chinese mainland, including delays in production, delivery and collection. The Chinese mainland subsidiaries have adjusted production schedules and re-planned shipment plans after the resumption of production. As the information on the impact of customers and related supply chains is still uncertain, it is not yet possible to reasonably expect the amount of impact on operating and financial condition. The Company will continue to monitor developments to assess in real time.

**(12) Other:**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		108,503	195,745	304,248	82,752	163,493	
Labor and health insurance		9,862	14,845	24,707	8,732	12,349	
Pension		3,016	8,197	11,213	3,039	6,989	
Remuneration of directors		-	4,078	4,078	-	10,661	
Others		5,717	8,205	13,922	5,004	7,115	
Depreciation		44,191	17,677	61,868	31,729	8,995	
Amortization		18	2,039	2,057	17	2,129	

Additional information on number of employees and employee benefits is disclosed as followed:

	For the years ended December 31,	
	2019	2018
Number of employees	<u>414</u>	<u>376</u>
Number of non-employee directors	<u>4</u>	<u>5</u>
Average employee benefits	<u>\$ 864</u>	<u>780</u>
Average employee salaries	<u>\$ 742</u>	<u>664</u>
Adjustment percentage of average employee salaries	<u>11.75 %</u>	

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

**(13) Other disclosures:****(a) Information on significant transactions:**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

**(i) Loans to other parties:**

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Notes
													Item	Value			
1	Kunshan Juzhong Electronic Co., Ltd.	Chongqing Qunxiang Technology Co., Ltd.	Other receivables from related parties	Yes	602,700 (RMB140,000)	301,350 (RMB70,000)	258,300 (RMB60,000)	4.35%	2	-	Operating capital	-	None	-	2,544,965 (RMB591,165)	2,544,965 (RMB591,165)	

Note 1: Those with business contact please fill in 1

Those necessary for short-term financing please fill in 2

Note 2: The total amount allowed for financing should not exceed 40% of the Company's net equity. The maximum amount of loans to individual entity should not exceed 10% of the Company's net equity. The maximum amount of loans to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the borrower's net equity on its latest financial statements.

Note 3: The total amount allowed for financing of Kunshan Juzhong Electronic Co., Ltd should not exceed 40% of its net equity on its current financial statements.

Note 4: The maximum amount of loans of Kunshan Juzhong Electronic Co., Ltd to individual entity should not exceed 10% of the current financial statements net equity of Kunshan Juzhong Electronic Co., Ltd. The maximum amount of loans of Kunshan Juzhong Electronic Co., Ltd to the Company's foreign subsidiaries, which directly and indirectly hold 100% of the voting shares, should not exceed the latest financial statements net equity of Kunshan Juzhong Electronic Co., Ltd.

Note 5: The exchange rate of NTD to CNY as of December 31, 2019 is NTD4.305 : CNY1.

**(ii) Guarantees and endorsements for other parties: None****(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):**

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Everflow Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	1,854	72,709	11.21%	72,709	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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

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

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase (Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chongqing Qunxiang Technology Co., Ltd.	Parent-subsiary	Purchase	930,842	17.51%	O/A 120 days	-	-	(340,077)	(15.45)%	
The Company	Kunshan Juzhong Electronic Co., Ltd.	Parent-subsiary	Purchase	2,474,864	46.55%	O/A 120 days	-	-	(1,049,345)	(47.67)%	
Kunshan Juzhong Electronic Co., Ltd.	The Company	Parent-subsiary	(Sales)	(2,474,864)	(63.65)%	O/A 120 days	-	-	1,049,345	58.55%	
Kunshan Juzhong Electronic Co., Ltd.	Chongqing Qunxiang Technology Co., Ltd.	Fellow subsidiary	(Sales)	(206,624)	(5.31)%	O/A 120 days	-	-	30,724	1.71%	
Kunshan Juzhong Electronic Co., Ltd.	Nidec (Shanghai) International Trading Co., Ltd.	Other related parties	(Sales)	(115,238)	(2.96)%	O/A 120 days	-	-	125,356	6.99%	
Chongqing Qunxiang Technology Co., Ltd.	The Company	Parent-subsiary	(Sales)	(930,842)	(46.77)%	O/A 120 days	-	-	340,077	50.59%	
Chongqing Qunxiang Technology Co., Ltd.	Kunshan Juzhong Electronic Co., Ltd.	Fellow subsidiary	Purchase	206,624	17.29%	O/A 120 days	-	-	(30,724)	(6.17)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Kunshan Juzhong Electronic Co., Ltd.	Parent-subsiary	305,437	1.99	-	-	117,885	-
Kunshan Juzhong Electronic Co., Ltd.	The Company	Parent-subsiary	1,049,345	2.19	-	-	-	-
Kunshan Juzhong Electronic Co., Ltd.	Nidec (Shanghai) International Trading Co., Ltd.	Other related parties	125,356	1.84	-	-	-	-
Chongqing Qunxiang Technology Co., Ltd.	The Company	Parent-subsiary	340,077	3.07	-	-	90,587	-
Kunshan Juzhong Electronic Co., Ltd.	Chongqing Qunxiang Technology Co., Ltd.	Fellow subsidiary	258,300	Note 1	-	-	-	-

Note 1: The calculation of turnover rate excludes other receivables from related parties.

- (ix) Trading in derivative instruments: None.

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**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

## (b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value			
The Company	Conquer Wisdom Co., Ltd.	British Virgin Islands	Investment activities	737,240	737,240	18,093,265	100.00%	3,118,771	404,528	402,879	Note 1
Conquer Wisdom Co., Ltd.	Chaun Choung Technology America Inc	U.S.A	Sale of thermal module for computers	8,994 (USD300)	8,994 (USD300)	300,000	100.00%	9,354 (USD312)	(185) (USD-6)	(185) (USD-6)	Note 2
Conquer Wisdom Co., Ltd.	GLOBE STAR ENTERPRISE Ltd.	Hong Kong	Investment activities	540,899 (USD18,042)	540,899 (USD18,042)	140,407,615	100.00%	3,171,584 (USD105,799)	404,793 (USD13,095)	404,793 (USD13,095)	Note 2

Note 1: The Company recognized net income of Conquer Wisdom Co., Ltd. \$404,528 thousand, realized gross profit \$58,789 thousand and unrealized gross profit \$60,438 thousand. The Company recognized share of profits of investee \$402,879 thousand in total.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.98 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2019 was 30.912 to 1.

## (c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 (note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (note 4)	Net income (losses) of the investee (note 4 and 7)	Percentage of ownership	Investment income (losses) (note 5, 6 and 7)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Juzhong Electronic Co., Ltd.	Manufacture the thermal module for computers	689,540 (USD23,000)	2 Note 1	406,949 (USD13,574)	-	-	406,949 (USD13,574)	220,619 (USD7,137)	100.00%	201,577 (USD6,521)	2,518,350 (USD84,001)	321,430
Chongqing Quixiang Technology Co., Ltd.	Manufacture the thermal module for computers	239,840 (USD8,000)	2 Note 1	239,840 (USD8,000)	-	-	239,840 (USD8,000)	203,246 (USD6,575)	100.00%	203,246 (USD6,575)	652,425 (USD21,762)	-
Dongguan Quanwei Electronic Co., Ltd.	Research, development and sale of thermal components	16,359 (RMB3,800)	2 Note 1	-	-	-	-	(407) (RMB-91)	100.00%	(407) (RMB-91)	8,886 (RMB2,064)	-

Note 1: Reinvest in Mainland China by establishing investing companies which is the Company 100% owned subsidiary in third region.

Note 2: Kunshan Juzhong Electronic Co., Ltd. transferred US dollar 8,800 thousand from retained earnings to capital in 2007.

Note 3: The difference between accumulated outflow of investment from Taiwan and total amount of paid-in-capital is US Dollar 626 thousand, the primary reason is funds acquired from the shareholders in Taiwan and has not remitted to Mainland China.

Note 4: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.98 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2019 was 30.912 to 1.

Note 5: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

Note 6: The Company recognized net income of Kunshan Juzhong Electronic Co., Ltd. USD7,137 thousand, realized gross profit USD272 thousand and unrealized gross profit USD888 thousand. The Company recognized share of profits of investee USD6,521 thousand in total.

Note 7: The exchange rate of New Taiwan dollars to Chinese Yuan as of December 31, 2019 was 4.305 to 1. The average exchange rate of New Taiwan dollars to Chinese Yuan for the year period ended December 31, 2019 was 4.472 to 1.

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
646,789 (USD21,574)	938,884 (USD31,317)	2,435,435

Note: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2019 was 29.98 to 1.

## (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(Continued)

**CHAUN-CHOUNG TECHNOLOGY CORP.**  
**Notes to the Financial Statements**

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2019.

Chaun-Choung Technology Corp.

Chairman: Junichi Nagai